OACIQ Organisme d'autoréglementation du courtage immobilier du Québec

Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec

Think about it.

ANNUAL REPORTS

2011

Published by the Organisme d'autoréglementation du courtage immobilier du Québec
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OACIQ

ORGANISME D'AUTORÉGLEMENTATION
DU COURTAGE IMMOBILIER DU QUÉBEC

ANNUAL REPORT
2011

Mr. Richard Boivin
Assistant Deputy Minister, Policies regarding Financial Institutions and Legal persons
Department of Finance
Government of Québec

Québec

Dear Mr. Boivin:

We are pleased to submit the Annual Report of the Organisme d'autoréglementation du courtage immobilier du Québec for the fiscal year ended December 31, 2011.

Yours very truly,

Serge Brousseau
Chartered Real Estate Broker
Chairman of the Board

Mr. Alain Paquet
Minister for Finance
Government of Québec

Québec

Dear Mr. Paquet:

Allow us to present the Annual Report of the Organisme d'autoréglementation du courtage immobilier du Québec for the fiscal year ended December 31, 2011.

Yours sincerely,

Richard Boivin
Assistant Deputy Minister
Policies regarding Financial Institutions and Legal persons

Mr. Jacques Chagnon
President of the National Assembly
Government of Québec

Québec

Mr. President:

I have the honour of submitting the Annual Report of the Organisme d'autoréglementation du courtage immobilier du Québec for the fiscal year ended December 31, 2011.

Respectfully yours,

Alain Paquet
Minister for Finance

OACIQ

ORGANISME D'AUTORÉGLEMENTATION DU COURTAGE IMMOBILIER DU QUÉBEC

Members Boards of directors

Year 2011

Directors elected among licence holders (by their peers)

Serge Brousseau (Chairman of the Board)	Montréal
Johanne Roy (Vice-Chair of the Board)	Montréal
Daniel Pelchat (Treasurer of the Board)	Central
Louis Cayer	Montréal
Richard Dion	Québec
Hélène Lavoie	Northeast
Bernard Savard	Montréal
Carole Strasbourg	Western

Directors appointed by the Minister of Finance

Pierre Carrier

Nathalie Ebnoether

Claude Rousseau

Secretary appointed by the Board of Directors

Claude Barsalou

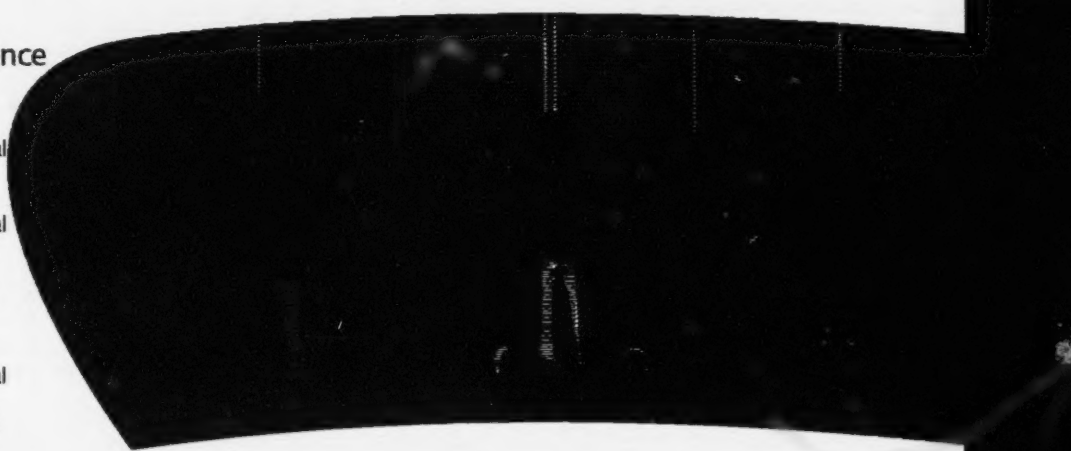
President and Chief Executive Officer of the OACIQ

Robert Nadeau

Mission

The Organisme d'autoréglementation du courtage immobilier du Québec is responsible for overseeing real estate brokerage in Québec.

In accordance with the Real Estate Brokerage Act, its main mission is to protect the public by supervising the professional activities of all Québec real estate and mortgage agencies and brokers.



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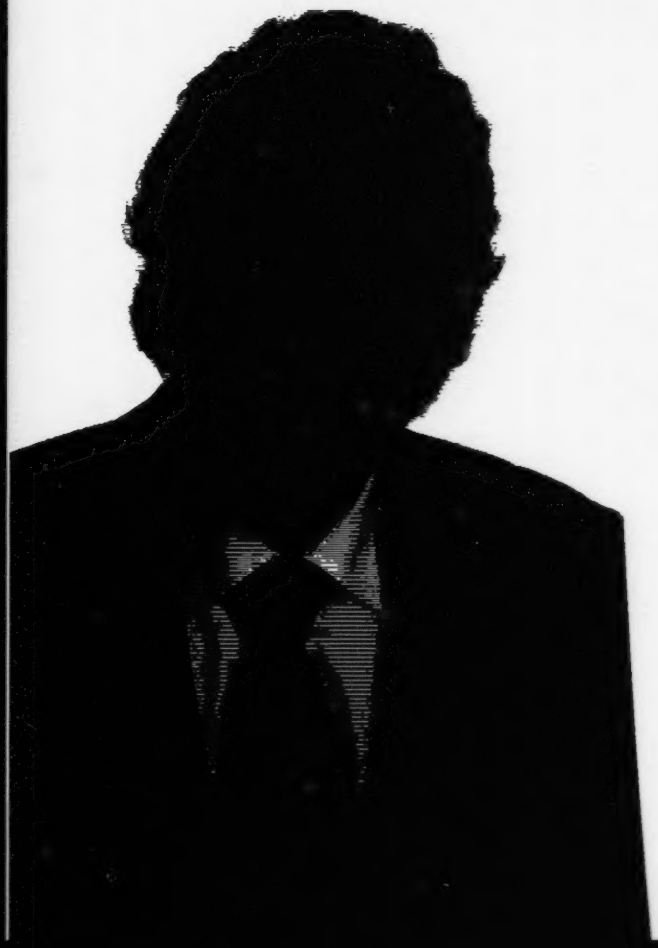
"If each broker understands his role and his client's needs, new market shares will open up for all brokers, and they will be recognized as essential allies in any residential, commercial or mortgage real estate transaction."



Main priority: broker skills

In 2011, in keeping with the new Act, we focused our actions on the development of brokers' skills. We also invested many of our efforts in improving communications with the various stakeholders in the field of real estate brokerage, including the public.

To this effect, at the end of January 2011 we presented the last mandatory education session on the new Act, thus completing this training for some 19,000 brokers. We then began the process of designing the mandatory continuing education on the new elements and amendments to forms, based on a consultation tour held throughout Québec about these forms. The Board's decisions on forms reflect the ideas and opinions expressed in the course of these consultations.

The seminar on flooding held last fall in Saint-Jean-Sur-Richelieu also gave brokers an opportunity to hone their knowledge and skills on this very current topic. The brokers in attendance who completed the evaluation questionnaire were unanimous as to the relevance and practicality of this event.

The improvement of skills goes hand-in-hand with effective and seamless communications with our main stakeholders. This is why we felt it imperative to strengthen our communications with brokers, the public and our various partners, in order that everyone works in the same direction to promote our profession.

SERGE BROUSSEAU
Chairman of the Board

Communications as the key issue

Multimedia and new technologies have been and will continue to be major communication tools for us. I personally have the opportunity to address brokers each month by video in the *pro@ctive* newsletter, and this personalized approach seems to be well received!

The *think about it* advertising campaign, which explains and illustrates the reasons for dealing with a broker, was another main achievement in 2011. We received excellent comments on this initiative so far, and it's only the beginning! This campaign will go into full swing in spring 2012.

Since it is crucial for us to create and maintain strong ties with all our partners, we have worked on increasing the number of consultations with our various interlocutors. Thus some 60 meetings were held with real estate boards' federation, real estate boards, "banners", educational establishments, consumer groups and the government in order to make sure that we send out a strong message and that we reach our communication and education goal.

Changes on the Board of Directors

Some important changes were made to the structure of the Board of Directors in 2011. These include the appointment by Finance Minister of a third director, Mrs. Ebnoether, who is not a broker.

Another change in our structure in 2011 was a reduction from nine to eight in the number of directors elected by licence holders. Because we wanted to preserve representation in all regions, we decided to maintain the five regions (i.e. Montréal, Québec City, Western, Central and Northeast, formerly called Eastern regions) and the same number of directors per region. Since the eight directors were elected regionally, the Board of Directors opted to elect the Chair among the elected directors rather than by universal suffrage as was the case under the previous Act.

Election results

Mrs. Johanne Roy was re-elected and Mr. Bernard Savard elected as directors for the Montréal region, and Mrs. Carole Strasbourg was elected as director for the Western region.

For my part, I have had the pleasure of being Chairman since June 10, 2011, after occupying this post on the ACAIQ Board of Directors from 2001 to 2007. It is a great privilege for me to be back in this position during this critical time for our profession. I thank the members of the Board for putting their trust in me.

I would also like to highlight all the work done by the Board in 2011 to revitalize and modernize our profession, and I extend my particular thanks to our outgoing members for their dedication to our organization. Things are changing for the better, and this is thanks in very large part to the members of the Board. Thank you also to our President and CEO, Mr. Robert Nadeau, and to the entire OACIQ staff; they are the ones who are turning the key directions we have set for our profession into reality.

Together towards the future

I am reiterating my commitment to our profession and vow to maintain my efforts to make sure it continues to gain recognition from the public.

If each broker understands his role and his client's needs and the protections that he offers to his client, acquires the skills needed for his practice and knows which one to put forward in every transaction, new market shares will open up for all brokers, and they will be recognized as essential allies in any residential, commercial or mortgage real estate transaction.

At the risk of repeating myself, I would like to say again that in order to achieve our goals, we must make sure our messages are properly disseminated. We must promote competence with our brokers. We must show the public that there is added value in dealing with a broker, and that the OACIQ is the reference in the field of real estate and mortgage brokerage. In short, by mobilizing for integrity and competence, we will give brokers increasingly good press, and everyone will come out a winner. ●

Serge Brousseau
Chairman of the Board

"In this extraordinarily fast-paced market, it is more important than ever for real estate brokers to show the public the full extent of their know-how, skills and expertise, and how these represent an invaluable asset that no consumer should do without."

For all the players in the field of real estate brokerage in Québec, 2011 was a consolidating year. At the OACIQ, we continued to work diligently on introducing new methods of doing things as part of our efforts to implement the principles enshrined in the new Act.

Interesting developments

The year 2011 was also marked by great advances in several areas. One of these was the consultations on forms, which enabled us to decide on the new elements and amendments to make in order to meet brokers' expectations.

Another item was the issue of incorporation, of which the purpose was to enable brokers working for an agency to operate within a business corporation. The provisions of Bill 128 and the regulations on incorporation came into effect on January 1, 2012. With these now in place, brokers no longer have to create their own agencies and go through the licensing process purely for tax reasons.

Also of great interest for the practice of real estate brokerage is the recognition agreement between the OACIQ and the Québec Association of Building Inspectors (QABI), which gives brokers access to a list of recognized building inspectors who are certified by the QABI according to very specific criteria.

We also pleaded in favour of brokers before the Committee on Citizen Relations in an effort to eliminate some of the provisions of the Consumer Protection Act with regards to their applicability to mortgage brokers and agencies. These provisions would result in costly and useless duplications.

NUMBER OF LICENCE HOLDERS

	2012	2011	2010
As at January 1	**18,828**	19,638	17,621
As at December 31	–	18,828	19,638

RESULTS

	2011*	2010*	2009
Revenues	**$21,707,404**	$19,708,473	$12,465,096
Expenses	**$19,947,837**	$17,968,313	$11,585,341

*Including Indemnity Fund

REQUESTS FOR INFORMATION TO INFO OACIQ

2011	2010	2009
61,523	60,853	42,554

ROBERT NADEAU
President and Chief Executive Officer

CONTINUING EDUCATION ACTIVITIES

	2011	2010	2009
Continuing education activities	**173**	283	373
Mandatory continuing education activity on the new Act	**9** (January sessions)	103	–
Sessions – Consultation tour on the new elements and amendments to forms	**28**	–	–
Total	**210**	386	373

REQUESTS TO THE ASSISTANCE DEPARTMENT

2011	2010	2009
2,302	1,805	1,924

INVESTIGATIONS BY THE OFFICE OF THE SYNDIC

	2011	2010	2009
Investigations opened	**743***	322	346
Investigations completed	**572***	318	261
Complaints filed	**90**	83	101

* Note: The number of opened and completed investigations in 2011 was determined using a new calculation method

LICENCE REVOCATIONS/SUSPENSIONS BY THE DISCIPLINE COMMITTEE

2011	2010	2009
42	32	49

INSPECTIONS OF AGENCIES AND BROKERS ACTING ON THEIR OWN ACCOUNT BY THE INSPECTION DEPARTMENT

2011	2010	2009
366	295	424

REQUESTS REVIEWED BY THE LICENCE ISSUE AND MAINTENANCE COMMITTEE

	2011	2010*	2009
Requests submitted	160	33	–
Requests refused	15	4	–

* From May 1 to December 31, 2010

ILLEGAL BROKERAGE ACTIVITIES

	2011	2010	2009
Requests for investigation received	**305**	173	196

Highlights

- Major progress
  - Consultations on forms
  - Incorporation
  - Recognition agreement with the QABI
- Lines of action
  - Enhancement of skills
  - Improvement of communications with interlocutors
- Dissemination of information
  - Website revamping
  - Electronic consultations on the forms (blog)
  - Insert on the decisions concerning the new elements and amendments to forms
  - Advertising campaign (Web, television, radio)
- Continuing education
  - Live consultations on the forms
  - Development of the mandatory continuing education on the forms
  - Seminar on floods
- Illegal practice
  - Lawsuit and preparation for appeal

Two main directions

In 2011, our actions centered on the two main areas of development introduced at the Annual General Meeting, i.e. reinforcing brokers' skills and improving communications with our interlocutors.

By focusing on skills, we concentrate on the brokers themselves and on their inherent abilities, making brokers accountable for their own success and providing them with all the tools they need to attain it. We feel confident that brokers will know how to use the means we put at their disposal to ensure that each aspect of a transaction with a buyer or a seller goes as smoothly as it possibly can.

Information dissemination

If we did not have good communication with our various partners and interlocutors, it would be much more difficult to get brokers to buy into our skills development priority. Our goal in the area of communications is to get brokers to strive to improve constantly, to want to hone their skills or acquire new ones. This is why we decided to take a look at the way we disseminate our messages, in order to ensure they meet their mark.

Website

Our new website went live on January 31, 2011. In a survey of brokers, 70% expressed their satisfaction regarding the website. Our work goes on, however, and we will continue to improve both the search engines and the way the information is organized.

More user-friendly communications

We decided in 2011 to make greater use of multimedia technologies. With this in mind, we created an interactive version of the Profession Broker publication, providing the reader with a number of electronic reading options. We also use multimedia to broadcast the Chairman's message in a monthly video for brokers via the weekly *pro@ctive* newsletter.

In addition, licence holders were able to attend the last General Meeting via web conferencing and to download all the meeting's documents on their smartphone, using a QR code. We will use this procedure again in 2012, and the meeting will be webcast via web conference as well.

These are only a few examples of changes we are making in order to make our communications more interactive and the information more dynamic. Needless to say, this is the direction we will continue to pursue in 2012.

The new forms

Blog

Brokers shared their opinions in great numbers on our blog during the electronic consultations on forms. In this first stage of the consultations on the new elements and amendments to forms (see page 13 of this report), we asked brokers to post their comments on the suggested amendments. Over 15,000 blog visits and some 1,500 comments were logged, which confirms the blog as an effective tool to exchange directly with brokers.

Insert

Via an insert in the August 2011 issue of *Profession Broker* Newsletter, the Communications Department published the Board's decisions regarding the 19 main topics under study. The insert clearly outlined the clauses retained versus how they had been proposed during the consultations, followed by an explanation justifying the final decision. The insert proved a very effective tool in communicating to brokers the main developments in this area of direct concern to them.

Two key decisions

Of all the decisions made in response to brokers' requests, two were of special importance: the Board retained the single form over the two-part form, and the 8 ½ by 11 format to facilitate scanning, faxing and emailing.

Advertising

Advertising campaign

Between October 31 and November 27, 2011 an advertising campaign aired on French television and English radio and via web banners and the **thinkbroker.ca** microsite, followed by print media ads in November and December.

The goal of this campaign was to showcase the role of the real estate broker (residential and commercial) and the mortgage broker. We wanted the consumer to see that in order to be protected in a real estate or mortgage transaction, it's best to use the services of a broker who has the skills needed to bring the transaction to a successful completion and is backed by a solid network of qualified professionals.

We will hammer this message home again in spring 2012, when part two of the campaign begins on March 5. This campaign is a big budget item at a cost of 1.8 million dollars.

Ads in *Profession Broker Newsletter*

Further to a survey in which we asked brokers what types of ads they wished to see in their *Profession Broker Newsletter*, we decided to change the advertisers' categories in the *Profession Broker*.

Since the April 2011 issue, the only advertisers allowed in this publication are members of the OACIQ Partners Program and real estate brokerage stakeholders.

Continuing Education Department

The mandatory continuing education sessions on the new Act, held during the second half of 2010, ended on a positive note on January 31, 2011. However, many projects awaited the Continuing Education Department in the new year. Two successful activities, the consultation tour on the new forms and the seminar on flooding, required a lot of time and effort on the part of the continuing education team.

CONTINUING EDUCATION ACTIVITIES

Activities	2011	2010
Continuing education	**173**	283
Mandatory continuing education	**9**	103
Total	**182**	386

Participants	2011	2010
Continuing education	**3,842**	5,042
Mandatory continuing education	**2,536**	17,597
Total	**6,378**	22,639

Live consultation tour on forms

While the Communications Department was actively working with the Legal Affairs and IT departments on setting up the blog for the first stage of the consultations on forms, the Education Department got busy coordinating the 28 live consultation sessions held throughout Québec. These took place from April 18 to May 5, 2011 and were attended by some 1,305 brokers.

At these sessions, facilitators explained the reasons for the proposed amendments to the main forms compared with current forms. Participants had a chance to voice their opinions on these amendments and on the trends that had not reached consensus during the electronic consultations stage.

The comments received were summarized into more than 200 points and submitted to the Board of Directors. The Board ruled on each point based on the preferences expressed during the electronic and live consultations.

CONSULTATIONS ON THE NEW ELEMENTS AND AMENDMENTS TO FORMS

	2011
Number of sessions	28
Number of participants	1,305

Upcoming mandatory education sessions

The whole forms review process is leading up to another series of mandatory continuing education sessions which real estate brokers with a full-service licence or a licence restricted to residential real estate brokerage will be required to take online by June 30, 2012. Agency executive officers must also complete this session and can do so in person. If they go for the live training, they will have the benefit of a training session designed especially to enable them to help their agency's brokers familiarize themselves with this learning tool and implement the new elements and amendments to forms.

Seminar on flooding

In an effort to address the needs of brokers handling properties damaged by flooding or located in flood zones, the Continuing Education Department held a seminar entitled *Floods and Real Estate – Everything brokers need to know*, which was attended by a packed audience of 200 brokers at the Relais Gouverneurs hotel in Saint-Jean-sur-Richelieu on November 30, 2011.

All comments received following this seminar encourage us to repeat this type of event in the future where warranted by circumstances. The brokers in attendance clearly expressed their satisfaction by stressing the relevance and practical aspect of the event and telling us that similar events should be organized around other topics. This training day has been made available online via *Synbad* since February 2012.

Examinations

Since the coming into force of the new Act, the evaluation process for real estate and mortgage brokers has been based on the mastering of skills by candidates. However, a decrease of several percentage points in the success rate has been noted since the implementation of the new examinations.

Although this is a matter of concern for the OACIQ, it doesn't mean we will abandon our skills-based approach, because we feel that this is the future of our profession. It does mean, however, that we will continue to work closely with educational establishments, Real Estate Boards' Federation, Real Estate Boards and "banners" to ensure that candidates are well prepared to practice their new profession.

MANDATORY EXAMINATIONS – 2011

	Residential real estate brokers	Mortgage real estate brokers	Former real estate agent wishing to act on his own account	Commercial real estate brokers	Agency executive officers	Total
Number of candidates who took the examination	**904**	**163**	**65**	**26**	**5**	**1,163**

ERRATUM

Some calculation errors were found in the tables on the right. They are now corrected.

Certification

The number of real estate and mortgage brokers with valid licences was down by 810 as of January 1, 2012, a 4% decrease compared to 2011, going from 19,638 to 18,828. This drop is certainly due to some 5,000 new licence holders who had their licence before the entry into force of the new Act in May 2010, but who did not remain in the profession.

BREAKDOWN OF REAL ESTATE AND MORTGAGE AGENCIES AND BROKERS (as at January 1)

By licence category

	2012
Chartered real estate broker	**3,817**
Real estate broker	**13,111**
Mortgage broker	**364**
Real estate agency	**1,500**
Mortgage agency	**36**
Total	**18,828**

BREAKDOWN OF REAL ESTATE OR MORTGAGE AGENCIES AND BROKERS (as at January 1, 2012)

BY REGION	Agencies	Brokers	Total
Montréal region			
Montréal (06)	563	6,748	**7,311**
Laval (13)	113	2,050	**2,163**
Montérégie (16)	303	3,133	**3,436**
Sub-total	979	11,931	12 910
Québec City region			
Québec (03)	147	1,329	**1,476**
Chaudière-Appalaches (12)	26	204	**230**
Sub-total	173	1,533	1 706
Northeast region			
Abitibi-Témiscamingue (08)	7	57	**64**
Bas-Saint-Laurent (01)	11	144	**155**
Saguenay-Lac-Saint-Jean (02)	14	218	**232**
Côte-Nord (09)	6	52	**58**
Gaspésie-Îles-de-la-Madeleine (11)	2	13	**15**
Sub-total	40	484	524
Central region			
Mauricie-Bois-Francs (04)	39	357	**396**
Estrie (05)	51	427	**478**
Lanaudière (14)	65	693	**758**
Sub-total	155	1,477	1 632
Western region			
Outaouais (07)	50	532	**582**
Laurentides (15)	139	1,335	**1,474**
Sub-total	189	1,867	2 056
Total	**1,536**	**17,292**	18 828

Note: The numbers in brackets indicate the numbers of Québec's Administrative Regions

BY FRANCHISER	Agencies	Brokers	Total
Century 21	36	824	**860**
Colliers International (Québec) Inc.	2	21	**23**
Exit	7	38	**45**
Groupe Sutton	69	2,515	**2,584**
Hypotheca Courtiers hypothécaires	12	232	**244**
Via Capitale	75	1,394	**1,469**
Le Permanent	2	7	**9**
Multi-Prêts Hypothèques	12	449	**461**
Re/Max	248	3,704	**3,952**
Royal LePage	80	1,697	**1,777**
Trans-Action	1	5	**6**
Sub-total	544	10,886	11 430
Independents	992	6,406	7 398
Total	**1,536**	**17,292**	18 828

Note: A franchiser is a company that authorizes at least one franchised agency to use its brand name and system under the terms and conditions of a franchise agreement.

Electronic document management

Again this year, a lot of effort was invested in the electronic document management (EDM) system.

From the end of November 2010 to January 2012, the document management team completed the first stage of the Gédéon project, which consisted in digitizing some 28,000 licence holder records. All records were digitized and integrated to Alfresco, our electronic document management software.

This is the largest mass of documents ever processed by the OACIQ. Thanks to this huge effort, records will be accessible remotely and simultaneously. It will also be much easier to update the information and import documents associated with this process, which will greatly improve our organizational efficiency.

OACIQ Info Centre

Despite the difficulties experienced by western economy, real estate in Québec is doing well, as evidenced by the number of requests for information received. This number continued to increase to reach 61,523 in 2011, compared to the previous record of 60,583 requests received in 2010. Of these, 72% came from licence holders and 28% from members of the public.

Most of the people who call or write to Info OACIQ request information about real estate brokerage in general, how to work in *Synbad*, certification, licence maintenance, and real estate or mortgage brokerage ethics.

NUMBER OF REQUESTS – OACIQ INFO CENTRE

	2011	2010
January	**4,848**	4,100
February	**5,989**	4,201
March	**8,017**	4,883
April	**8,401**	4,851
May	**5,218**	6,232
June	**3,818**	6,053
July	**3,188**	4,309
August	**3,716**	4,785
September	**4,123**	6,138
October	**4,415**	5,859
November	**5,192**	5,740
December	**4,598**	3,702
Cumulative	61,523	60,853

Assistance Department

In 2011 the Assistance Department received 2,302 requests, i.e. 497 more than in 2010. Of this number, 37% were from licence holders and 45.5% from the public.

Interestingly, several requests come from internal sources. This is explained by the fact that the Certification Department has had to make additional verifications regarding criminal records or offences imposed by administrative courts for licence renewal purposes.

In addition, all new files involving verifications to be made by the Office of the Syndic go through the Assistance Department. Despite this increase in the number of files, the Department constantly aims at improving the processing of requests to reduce processing times.

The Assistance Department is planning a tour across Québec both to enhance its profile and to educate agencies about their responsibilities and how they can intervene in their brokers' real estate transactions.

Illegal brokerage

Illegal brokerage cases increased again in 2011. Whereas 2010 saw 173 new cases, this number shot up to 305 in 2011. As of December 31, 2011, there were 431 active cases, compared to 260 at the end of 2010.

Case load increase

This is a considerable hike that echoes the content of an article published in the August issue of Profession Broker on three worrisome illegal brokerage cases.

The first issue discussed was the significant increase in requests for investigation regarding loans secured by immovable hypothec. Listing on Québec multiple listing services by members of out-of-province real estate brokerage organizations was another phenomenon observed by our lawyers specializing in illegal brokerage. For some time now, we have also been observing individuals and companies that use marketing methods very similar to those of brokers, creating confusion in the public's mind and leading consumers to believe that they are protected when using these services.

The OACIQ is taking concrete measures to fight against these practices. For example, we have filed accusation counts against an enterprise which, in our opinion, has acted in a way that led others to believe that it was authorized to carry on the activity of real estate broker in fall 2011. The Court of Québec acquitted this enterprise at the time, but we are appealing the judgment before the Superior Court.

File closings

Finally, 134 files were closed for various reasons during the year, including 78 under investigation due to insufficient proof, exceptions allowed under the Real Estate Brokerage Act, lack of cooperation on the part of witnesses, and confusion between intermediary and party in the purchase or sale of an immovable. Another 56 files were closed due to guilty pleas or convictions, and one for acquittal.

Finally, our team specializing in illegal brokerage performed its first search, which turned out to be a successful one, leading to two criminal proceedings.

SUMMARY OF ILLEGAL BROKERAGE ACTIVITIES

Files carried over from previous years	[illegible]
Files opened between January 1 and December 31, 2011	[illegible]
Total	565

FILES CLOSED IN 2011

	2011	2010
Files closed during the year	**134**	133

ACTIVE FILES AS AT DECEMBER 31, 2011

STATUS OF PENDING CASES	
Under investigation	**279**
Awaiting trial	**149**
Under appeal or awaiting judgment	**3**

ANNUAL COMPARISON – ILLEGAL BROKERAGE ACTIVITIES

	2011	2010
Files opened during the year	**305**	173
Files active as at December 31	**431**	260
Cases awaiting trial, under appeal or awaiting judgment	**152**	82

Financial statements

The Organization's General Operating Fund netted a surplus of $1,078,339 in 2011. This surplus may seem surprising since we anticipated a budget deficit of some $462,000, but it is due to licence maintenance that exceeded our expectations in 2011.

In addition, there was a significant increase in the costs relating to the various statutory committees and the activities these create within the Organization, especially in the areas of discipline and syndic activities.

The activities of the Indemnity Fund netted a surplus of $681,228, raising the accumulated surplus in this Fund to $3,185,126.

The surplus accumulated in the OACIQ's General Administration Fund went from $6,543,203 to $7,621,542. However, it is important to remember that a good portion of these surpluses is already earmarked for the 2012 advertising campaign and for capital investments. In March 2012 the OACIQ exercised the option held under the lease and acquired 50% of the limited partnership that owns the building located at Lapinière Boulevard according to a cost formula determined at the signing of the lease. Based on the value of the immovable, this transaction allows generating a very important potential gain.

I would like to add that combining the invoice from the OACIQ and the *Fonds d'assurance responsabilité du courtage immobilier du Québec* has resulted in major savings for this Fund due in part to a marked reduction in the number of bad debts. This is beneficial for the whole industry, since brokers can now pay all fees relating to the maintenance of their licence in a single transaction instead of two.

Finally, the OACIQ has implemented a simple, quick and flexible solution for the payment of licence maintenance fees in 2012. Individual holders of a Desjardins VISA card can now pay in three months without interest, or in 12 equal instalments with interest.

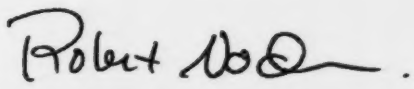
The road to success

In 2011, a considerable amount of energy was invested in bringing our numerous projects to fruition. Our goal is to create momentum by ensuring that brokers are increasingly proud to be members of our profession and are constantly striving to surpass themselves. This is the best way to create a solid profession in which the public has full confidence. We want to encourage licence holders and consumers to work together to make sure every real estate transaction is a profitable experience in every respect.

This was my 25th year with the OACIQ and in the field of real estate brokerage. If I have been here this long, it is because I believe in the profession. In this extraordinarily fast-paced market, it is more important than ever for real estate brokers to show the public the full extent of their knowledge, skills and expertise, and how these represent an invaluable asset that no consumer should do without.

I would like to thank the members of the Board of Directors for supporting me in my efforts; their astute guidance and decisions are extremely valuable to me in my daily work. I would also like to thank all the OACIQ staff, without whom all these exciting projects could never be realized. Thank you also to all the brokers who take an interest and participate in the debates pertaining to their profession.

We still have some work to do in 2012. Together, and in partnership with the real estate and mortgage brokers, we will continue to act proactively to raise the quality standards of our profession, all in a continued effort to show consumers the advantages of buying or selling a property through the services of a broker. Challenges are that much more exciting when they are real! ●



Robert Nadeau
President and Chief Executive Officer

In November 2011, the Office of the Syndic stepped up its intervention efforts in order to play a central education role with brokers and agency executive officers. Although we are already highly involved in many different projects, we increased our contributions even more in 2011. Our goal is to make sure that brokers know and understand the Act and its regulations. This is how we will eliminate the root cause of violations committed against them.

This increased involvement on our part is directly tied to our goal of helping brokers improve their skills in every aspect of their practice. The members of the Office of the Syndic pulled together their efforts on several fronts to educate all Québec brokers on the importance of complying with the Real Estate Brokerage Act. Consequently, brokers are becoming increasingly well-equipped to apply the Act according to good trade practices and to appreciate the benefits thereof.

Continuing education and professional practice

Skills improvement means *continuing education.* Our motto is to seize every occasion to educate brokers and support them in the ongoing updating of their knowledge and skills. And there is no shortage of opportunities in this area.

Mandatory continuing education

The Syndic was greatly involved in developing the content of the consultation tour on forms. This consultation tour led to the development of new forms which will go into circulation on July 1, 2012. We are also working closely with the Education Department to develop a mandatory continuing education on the new elements and amendments to forms, which must be completed by real estate brokers with a full-service licence or a licence restricted to residential real estate brokerage, and by agency executive officers.

Seminar on flooding

The year 2011 was also marked by sad events that had a direct impact on broker practices: the flooding in the Montérégie area. The Syndic played an important role in developing the content of the seminar on flooding organized to provide brokers with tools to advise their clients dealing with properties damaged by flood or located in a flood zone. I personally had the privilege of giving a conference at this event, entitled *Floods and the real estate brokers' ethical obligations.*

Skills-based examinations

Also in the area of continuing education, we were directly involved in 2011 in designing the skills-based examinations. These are now based on the broker's acquired skills and involve case studies that mirror current market requirements, rather than being based on knowledge as was previously the case. We also participated in the exam correction process.

Continuing education activities

We presented several continuing education activities on the practice and ethical obligations of brokers and agency executive officers. These include the *Simultaneous presentation of several promises to purchase; Wells, septic tanks and soil absorption fields: duties and obligations of the broker;* and *Deadlines on mandatory and recommended forms.* We also give a number of conferences on collaboration.

GIOVANNI CASTIGLIA
Syndic

Publications and best practices

Another major project last year was our contribution to the development of professional practices guides for residential real estate brokerage. These guides will be available soon and will include all the situations which a broker could face and the recommended practices to address them.

In addition, we published several articles last year in the *pro@ctive* newsletter and on the Organization's website on the new rules concerning the application of professional practices.

The Syndic attends the meetings of different professional practices groups in order to share his vision of good practices in terms of compliance with the Act.

INVESTIGATIONS INVOLVING OACIQ LICENCE HOLDERS

INVESTIGATIONS OPENED DURING THE YEAR

	2011	2010
Total	**743**	414 (322 based on the old method)

INVESTIGATIONS COMPLETED DURING THE YEAR

	2011	2010
Total	**572**	243 (318 based on the old method)

UNDER INVESTIGATION OR AWAITING REVIEW

	2011	2010
Total	**685**	513 (362 based on the old method)

CASES TRANSFERRED TO PROSECUTORS

	2011	2010
Total	**126**	105

Office of the Syndic **Team**

Mario Baillargeon
Senior Assistant

Suzanne Bissonnette
Assistant Syndic

Carletta Calin
Records Agent

Giovanni Castiglia
Syndic

Isabelle Daoust
Records Agent

Robert Deschamps
Assistant Syndic

Richard Frigon
Assistant Syndic

Yves Gardner
Assistant Syndic

Sylvie Jacques
Assistant Syndic

Réjean Lebel
Assistant syndic and Advisor

Daniel Lévesque
Investigator

Julie Pinet
Assistant Syndic

Information for brokers and the public

Conference on mortgage fraud

The Syndic has been asked to contribute to the development of content that was presented in March 2012 at the Québec Mortgage Fraud Summit. Topics included methods to detect this type of fraud, which is becoming increasingly sophisticated in Canada.

Conferences for the public

And of course, the role of the Syndic also consists in informing the public on broker obligations so that they can spot irregularities in a real estate transaction. We give several conferences on that topic to inform potential buyers and sellers of the broker's obligations towards financial institutions, the role of the Office of the Syndic of the OACIQ in relation with lawyers and the public, as well as specific provisions of the Real Estate Brokerage Act.

Discussion groups

We also sat on various discussion groups on ways to inform and protect the public regarding cannabis grow houses. These events were attended by various stakeholders concerned by this problem.

Internal affairs

For various reasons, a larger number of files were opened in 2011. These reasons include changes in how our statistics are compiled in order to better reflect our reality. Statistics will now be calculated on a *one case/ one licence holder concerned* basis rather than on a *one case/one event* basis, as was previously the case.

Other reasons for the increase in the number of files processed by the Syndic include:

- an exceptionally high and non-recurring number of commitments made to the Assistance Department by brokers who then failed to honour them;
- the possibility for the person who required the intervention of the Assistance Department and who is not satisfied with the decision made on his request to ask that the latter be transmitted to Syndic's Office for review;
- the growing number of cases transferred from Assistance to the Syndic;
- cases referred by Certification for criminal and other legal offences having a link with brokers' activities.

As well, 572 investigations were conducted by the Syndic in 2011. Some 126 files were transferred to prosecutors in view of the potential filing of a complaint before the Discipline Committee, i.e. 20% more than in 2010; this number represents 22% of all cases reviewed by the Syndic in 2011.

Fraud

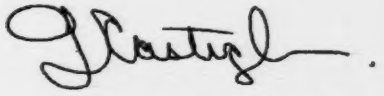
The offences that led to the largest number of complaints filed with the Syndic pertained to fraud, fabrication and use of false documents and misappropriation of funds. These were followed by negligence in the areas of verification, information and advice, and then by unfair practices and failure to collaborate.

Our efforts are paying off

In summary, although the main purpose of the OACIQ Syndic is to investigate cases and bring broker and agency offences to the attention of the Discipline Committee, its role is actually much broader, in that it extends to increasing brokers competence and providing them with all the tools they need to work in compliance with the Act.

Thus we work to ensure that the public sees the professionalism and skills with which we carry out our profession. I am very confident that we are on right track to increase our credibility in the eyes of the public and to encourage the public to do business with a broker. In working towards that goal, I am fortunate to have the support of a very strong team. To help us discharge all our responsibilities, we recruited two new employees mid-year, an investigator and an assistant syndic.

My team and I spend each and every day working on key projects for our profession. I would like to commend them for their outstanding work and thank them for their commitment and skills; they are part of the reason why it is so rewarding to belong to our great OACIQ family. ●



Giovanni Castiglia
Syndic

Report from the Syndic Decision Review Committee

Under the Real Estate Brokerage Act (R.S.Q., c. C-73.2), a Syndic Decision Review Committee was formed. The role of this committee is to issue an opinion, upon request by the person who requested the investigation, on the Syndic's decision not to file a complaint before the OACIQ Discipline Committee.

When a file is processed at the Office of the Syndic, the Syndic in charge of the file may decide either to file a complaint before the Discipline Committee, to close the file without filing a complaint, with or without a commitment on the part of the broker. In cases where the Syndic decides not to file a complaint, he has an obligation to inform the applicant of the reasons for this decision in his closing notification letter.

A person who applied to the Syndic to investigate a case may, within 30 days following receipt of the syndic's decision not to file a complaint before the Discipline Committee, request an opinion from the Syndic Decision Review Committee.

In this opinion the Committee may conclude that the filing of a complaint is not justified, suggest that the Syndic complete his investigation, suggest that the Syndic refer the case to the Inspection Committee, or conclude that the filing of a complaint is justified and suggest someone who, acting as ad hoc Syndic, can file a complaint.

Appointments

We are pleased to announce the appointment by the OACIQ Board of Directors of Mr. Pierre Albert as Vice-Chair of the Committee and Mr. Raymond Ayas as member. Congratulations to both of them on their appointments.

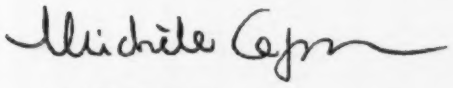
MICHÈLE GAGNON
Chair of the Syndic Decision Review Committee

Members
Syndic Decision Review Committee

Activities of the Committee

The Committee met three times in 2011 and reviewed 3 requests for an opinion.

In one case, the Committee concluded that a complaint before the Discipline Committee was not justified; in another, it suggested that the Syndic complete his investigation. The third case was still under deliberation as at December 31, 2011. ●



Michèle Gagnon
Chair of the Syndic Decision Review Committee

Chair

Me Michèle Gagnon
Chartered Real Estate Broker

Vice-Chair

Pierre Albert
Real Estate Broker

Members

Raymond Ayas
Chartered Real Estate Broker

Francine Thibeault
Chartered Real Estate Broker

Resources

Me Patricia Couture
Manager, Registries

Me Annie Hudon
Lawyer, Registries

Estelle Richard
Registries Clerk

The Discipline Committee reviews all complaints made against OACIQ licence holders for violations of the provisions of the Real Estate Brokerage Act and its regulations.

The Discipline Committee is constituted pursuant to this Act and is fully autonomous and independent from the Organization's Board of Directors and staff.

The *Real Estate Brokerage Act* allows, among other things, for the appointment of a Chair and several Vice-Chairs. To this effect, on May 27, 2010 Finance Minister Mr. Raymond Bachand appointed Me Claude G. Leduc as Discipline Committee Chair, and Me Brigitte Deslandes, Me Caroline Malo and Me Érick Vanchestein as Vice-Chairs, and renewed the terms of Me Gilles Duchesne and Me Patrick Choquette as Vice-Chairs. In addition to the Chair and Vice-Chairs, the Committee is comprised of about 60 brokers.

Complaints are usually reviewed by a division of the Committee consisting of three members, including two brokers and the Chair or one of the Vice-Chairs. This division of the Committee may be comprised of more than three members, at the Chair's discretion. The members of the profession who sit on the Committee are selected from a group of real estate or mortgage brokers appointed to the Discipline Committee for a three-year term by the Organization's Board of Directors. The Board also appoints the Committee's secretary. Some of the Committee's decisions may be appealed before the Court of Québec.

Discipline Committee complaints, hearings and decisions (Tables I and II)
(January 1 to December 31, 2011)

The complaints heard by the Discipline Committee usually relate to major offences. As of December 31, 2011, the OACIQ's Office of the Syndic had filed 90 complaints with the Discipline Committee.

The Committee held 5 hearing days on provisional suspensions, 105 hearing days on guilt (including motion hearings), 27 hearing days on penalties and 42 hearing days on guilt/penalties following a guilty plea. Seventy-nine hearing days were postponed.

The Committee rendered 6 decisions on provisional suspensions, 38 decisions on guilt, 25 decisions on penalties, 33 decisions on guilt and penalties following a guilty plea, and 2 non-guilty decisions. At year's close, 24 decisions on guilt and/or motions and 30 decisions on penalties remained under deliberation. Several cases (about 30) involve a preliminary application, submitted by individuals targeted by a disciplinary complaint, questioning the Committee's jurisdiction over these complaints. This preliminary application is based on constitutional arguments relating to the committee's neutrality; the application, to be ruled upon by the Committee, blocked the normal flow of these cases during 2011.

Me Claude G. Leduc, Ad. E.
Chair of the Discipline Committee

TABLE I: NUMBER OF CASES

	2011	2010
In progress as at January 1	**161**	138
Filed during the period	**90**	83
	251	221
Minus		
Decisions rendered on penalties (including guilt/penalties)	**58**	56
Acquittals	**2**	3
Withdrawals/termination of proceedings	**0**	1
Cases in progress as at December 31	**191**	161

TABLE II: HEARINGS – POSTPONEMENTS – DECISIONS

	2011	2010
Hearings held		
On provisional suspension	**5**	10
On guilt	**105**	66
On penalties	**27**	30
On guilt / penalties	**41**	26
Postponements granted	**79**	40
Decisions		
Under deliberation on provisional suspension	**0**	4
Under deliberation on guilt	**24**	14
Under deliberation on penalties	**30**	17
Rendered on provisional suspension	**6**	0
Rendered on guilt	**38**	29
Rendered on penalties	**25**	30
Rendered on guilty plea	**33**	26

Make-up
of the Discipline Committee

As at December 31, 2011, the Discipline Committee of the l'*Organisme d'autoréglementation du courtage immobilier du Québec* was made up of the following members.

Chair

Me Claude G. Leduc

Vice-Chairs

Me Gilles Duchesne
Me Patrick Choquette
Me Caroline Malo
Me Brigitte Deslandes
Me Érick Vanchestein

Members

Ariëns, Imelda
Barrette, Renée
Beauregard, Pierre
Belley, Louise
Berkers, Pierre
Bolduc, Daniel
Bolduc, Danielle
Boucher, Danielle
Bureau, Denis
Charron, Claude
Cholette, Ginette
Ciocca, Salvatore
Corbeil, Jean-Marc
Côté, Mélissa
Daoust, Robert
De Langavant, Laura-Nancy
Dourakis, Spyros
Dufresne, Yvan
Dufresne, Yves
Dupras, Marie-Andrée
Fecteau, Luce
Forlini, Nancy
Gagnon, Antoine
Gagnon, Micheline
Gagnon, Normand
Gaulin, Patricia
Gauthier, Stéphanie
Geoffrion, Michel
Giroux Laveau, Lana
Goulet, Christian
Guertin, Jean
Guilbert, Marie-Josée
Hardacker, Lois
Havard Grisé, Suzanne
Jones, Stewart
Lamirande, Mario
Langelier, Michèle
Lavieville, Clara
LeBel, François
Lecompte, Éloi
Léger, Éric
Lemaire, Frantz
Leroux, Robert
Liboiron, Michel
Longo, Vito
Mailloux, Luc
Mammarella, Domenico
Marchand, Denyse
Merrien, Thierry
Montanarini, Conrad
Morrow, René
Nicolas, Habib
Paquette, Rolland G.
Paquin, Michel
Racine, Normand
Roy, Louise
Ruiz, Carlos
Rzik, Abdelaziz
Stathakis, Georgios
Thibault, Renaud
Thibault, Sylvain
Villiet, François

Secretary

Chantal Peltier

Assistant Secretaries

Chabha Amirèche
Catherine Lalonde

Hearings Clerk – Records Agent

Sylvie Desjardins

Penalties (Tables III and IV)

Under the *Real Estate Brokerage Act*, the Discipline Committee may impose various penalties ranging from a reprimand to a licence suspension or revocation. The Committee may also impose fines of a minimum of $1,000 and a maximum of $12,500 per count. Penalties are determined by the Committee based on the seriousness and circumstances of the offence, with a view to protecting the public.

The Committee issued 16 reprimands and imposed 38 fines totalling $117,700. Generally, the payment of costs is ordered each time a guilty decision is rendered. In addition, there were 3 cases where the Committee ordered licence holders to take a course and related examinations. It recommended that the licence holders attend a continuing education course in 5 cases, and imposed conditions or restrictions on the licence in 1 case. There were also 42 cases of licence suspension for periods ranging from 15 days to permanent suspension.

A total of 41 notices of suspension issued by the Committee were published in newspapers in 2011, and one was exclusively published in the OACIQ Profession Broker Newsletter and on the Organization's website.

TABLE III: PENALTIES

	2011	2010
Penalties ordered		
Reprimands	**16**	22
Fines	**38**	44
Mandatory courses	**3**	8
Imposition of restrictions/conditions	**1**	N/A
Suspensions*	**42**	32
Continuing education	**5**	2
Other orders	**0**	2

* Suspensions ordered by the Discipline Committee are sometimes accompanied by a fine. In addition, the Committee may suspend a defendant's licence on several counts of the same complaint.

TABLE IV: FINES AND PUBLICATIONS

	2011	2010
Penalties		
Total fines	**$117,700**	$133,900
Decisions published in newspapers		
Suspensions/revocations	**42**	31

Nature of charges

The accusations brought before the Discipline Committee related to offences under the previous *Real Estate Brokerage Act*, the *Rules of Professional Ethics of the ACAIQ*, the *By-laws of the ACAIQ*, the *Regulation respecting the application of the Real Estate Brokerage Act*, or under the current *Real Estate Brokerage Act* and the new *Regulation respecting brokerage requirements, professional conduct of brokers and advertising* for offences committed after May 1, 2010. It should be noted that a charge may be brought under more than one section of the Act or regulations.

I wish to thank the Registry staff, the members of the Committee and the Vice-Chairs for their availability and their exemplary contribution to the work of the Discipline Committee. ●

M[e] Claude G. Leduc, Ad. E.
President of the Bar
Chair of the Discipline Committee

The Inspection Committee oversees broker and agency activities and helps them improve their professional practices. Thus the Committee has a direct impact on our profession's quality standards and, thanks to its constructive and preventive approach with licence holders, everyone benefits. The better licence holders master the ins and outs of their profession, the better they will succeed and be recognized by their peers and the public. When it comes to promoting the profession via showcasing brokers' work, the OACIQ Inspection Committee is a true ally for brokers, enhancing our profession's scope and image.

"The goal of the OACIQ Inspection Department is to be an ally for brokers and agencies."

New forms

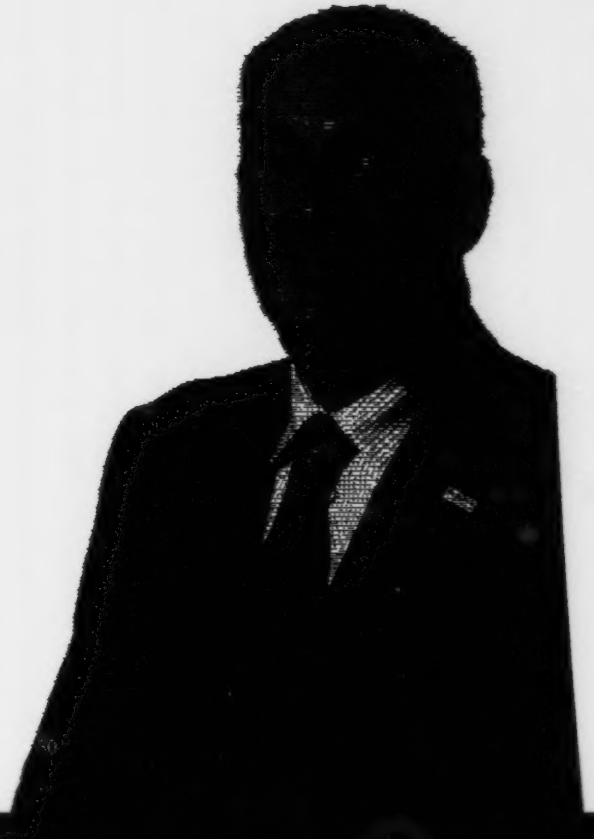
The Inspection Committee and the Inspection Department's staff contributed to the new forms project in several ways. Inspectors were involved in commenting the initial drafts and participated in the consultation tour with licence holders, with some members playing a leading role as meeting facilitators. Our professional resources were also called upon in the forms revision and translation process, as well as in issuing recommendations regarding electronic forms.

Residential and commercial brokerage and mortgage brokerage

Inspections continued at the same rate as in 2010. A total of 366 establishments were visited by inspectors in 2011, including 280 residential agencies and brokers acting on their own account, 55 commercial agencies and brokers acting on their own account, and 17 mortgage agencies and brokers acting on their own account. The number of establishments inspected also included 14 agencies and brokers acting on their own account whose licence was valid but who had not engaged in any brokerage activities.

Skill-based verification

Inspections of broker skills were increased in 2011. At the end of the year, 1,684 brokers had benefited from the findings of an inspector. The inspector's observations and recommendations, in the form of a personal report sent to each broker inspected, have a direct impact on public protection since they specifically target professional acts involving the way in which a broker uses his skills, maintains his records and performs the contracts and transaction proposals he has drafted and negotiated, according to his specific field of practice.



Pierre Martel
Chair of the Inspection Committee

Inspection Committee recommendations

The recommendations issued by the Committee to certain brokers or agency executive officers following inspections usually pertain to three recurring problems:

- brokers neglecting to send their agency the documents needed to maintain records and registers;
- brokers engaging in brokerage acts while their licence is revoked; and
- a few cases of unlawful remuneration sharing.

Online self-inspection

Regular inspections are supplemented by an online self-inspection questionnaire that must be completed each year by all agencies and brokers acting on their own account. The questionnaire exists in short-form and long-form formats; the latter is the equivalent of an actual inspection since it covers every aspect of a brokerage office's management, including advertising, brokerage and transaction records, conflicts of interest and disclosures – namely regarding referrals –, trust accounts, document management and confidentiality. In 2011, a total of 1,847 short-form questionnaires and 333 long-form questionnaires were sent and completed by as many licence holders.

Trust accounts

Now that all licence holders have access to a trust account, the Inspection Committee is working on encouraging the payment of a deposit with every transaction. Inspectors are already working to demystify the management of this type of account while ensuring compliance with the rules of ethics. They will continue to deliver the message by stressing the advantages of a deposit, not only for the consumer, but also for the broker. Here again, our profession's image is at stake.

Members
of the Inspection Committee

The members of the Inspection Committee for 2011 were:

Chair

Pierre Martel

Members

Laurent N. Bennarous

Diane Bourbonnière

Nathalie Clément

Marc-André Pilon

Resources

Claudie Tremblay
Vice President
Professionnal Practices

Francine Boucher
Director
Inspection Department

Rim Hadjem
Administrative Assistant

Inspection Department
Team

Lyne Audet
Inspector

Doreen Carrière
Agent

Stefan Comtois
Inspector

Louise Dessureault
Inspector-Coordinator

Karyne Dubreuil
Administrative Coordinator

Lisa Gougeon
Agent

Patrick Hiriart
Inspector

Johanne Langlois
Agent

Céline Larouche
Inspector

Serge Legault
Consulting Inspector

Marie Thérèse Lessard
Inspector

Diane Martineau
Inspector

Jean-Luc Meunier
Inspector

Start-up sessions

Newly licenced agencies and brokers acting on their own account are invited to attend a start-up session. This consists in a half-day training session that also serves as an initial inspection and covers the responsibilities of the agency executive officer and the broker acting on his own account, as well as the various aspects of the keeping of records and registers, broker supervision, and conflict and dispute management. The format of the start-up session was reviewed this year to include practical exercises to help participants. A total of 136 licence holders attended these sessions in 2011.

Development of a new continuing education session

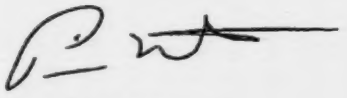
The Inspection Department developed a new continuing education session entitled "*File documentation: the very essence of real estate brokerage*". This session is designed to remedy the lack of documentation observed in the files of certain brokers who remain reluctant to properly document their records. This session, which addresses a real need, was launched in October 2011 and has been presented twice so far.

The OACIQ also provides assistance to agency executive officers and brokers acting on their own account by offering two more trainings, one entitled Maintaining records and registers, and the other, Managing trust accounts. Seventeen such trainings have been given to date and attended by a total of 206 executive officers, brokers acting on their own account, and assistants.

Satisfied agencies and brokers acting on their own account

Mindful of the quality of the services it offers, the Inspection Committee sends agencies and brokers who have undergone an inspection an appreciation questionnaire together with their inspection report. The responses contained in the 174 returned questionnaires were very positive and confirm that licence holders appreciate the principle of assistance and prevention championed by the Committee.

In ending, on behalf of members of the Committee, I would like to thank the entire Inspection Department staff. ●



Pierre Martel
Chair of the Inspection Committee

STATISTICS 2011

	2011	2010
Inspections of agencies and brokers acting on their own account		
Commercial	**55**	57
Mortgage	**17**	7
Residential	**280**	295
Other (inactive)	**14**	12
Start-ups	**136**	143
Self-inspection – Long-form questionnaire	**333**	226
Total	**835**	740
Reports to brokers, skills-based	**1,684**	995
Self-inspection of agencies and brokers acting on their own account – online (Long- and short-questionnaires)	**1,847**	1,773
Total number of agencies and brokers acting on their own account who have a trust account		
At the end of December of each year	**1,576**	1,533
Commitments		
Attending a training or complying with various regulatory obligations	**18**	18

Report from the Licence Issue and Maintenance Committee

The mission of the Committee is to make decisions regarding licence issue or maintenance where an applicant or a licence holder has had his licence revoked, suspended or made subject to restrictions or conditions by the Discipline Committee of the OACIQ or by another body supervising real estate brokerage, or was the subject of an assignment of property, a receiving order, protective supervision of a person of full age, or a disciplinary, penal or criminal conviction having a link with the activity of real estate broker or agency.

The role of the Licence Issue and Maintenance Committee under the Real Estate Brokerage Act (R.S.Q., c. C-73.2) consists particularly in determining whether public protection warrants the application of such measures as provided under the Act where an applicant or a licence holder has been found guilty of or has pleaded guilty to a criminal, penal or disciplinary offence, to the extent where the Committee has established that this offence has a link with the activity of real estate broker or agency.

If a licence issue application is submitted to the Committee, the latter has the power to review all criminal, penal or disciplinary convictions, regardless of when the person was found or pleaded guilty.

When deciding on licence maintenance, the Committee may take into account any criminal, penal or disciplinary conviction occurred since May 1, 2010.

In addition, the Committee may review cases involving bankruptcy, guardianship, curatorship or appointment of an adviser to a person of full age, as well as cases where an applicant or licence holder has had his licence revoked, suspended or made subject to restrictions or conditions by the OACIQ Discipline Committee or by a body in another province or State responsible for overseeing and monitoring real estate brokerage. In the latter cases, the Committee may decide to impose one of the measures as provided for under the Act where the protection of the public warrants such measure.

Depending on circumstances, the Committee may refuse to issue a licence to an applicant, or to issue it by imposing restrictions or conditions thereon. The Committee may also take measures against a licence holder, including suspending or revoking a licence or making it subject to restrictions or conditions.

On December 31, 2011, the Committee completed its first full year of operation, during which it met 15 times.

The year 2011 saw the departure of Mrs. Christiane St-Jean as committee member to pursue other activities in the field of real estate brokerage. We salute her and extend our heartfelt thanks to her for her commitment and dedication to the Committee's activities.

We would also like to announce the appointment by the OACIQ Board of Directors of Mr. Marc-André Filion as Vice-Chair of the Committee on October 21, 2011. The same day, the Board also resolved to appoint three new members, namely Mr. Bertrand Côté, Mr. James Brown and Mr. Jean-Luc Pulinckx. Congratulations to all on their nominations.

GEORGES HALASZ
Chair of the Licence Issue and Maintenance Committee

Activities of the Licence Issue and Maintenance Committee From January 1, 2011 to December 31, 2011

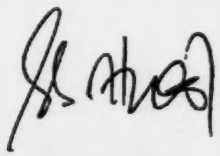
The Committee processed 160 cases over the course of 15 sessions held in 2011. The cases included 69 criminal offences, 4 disciplinary offences and 95 assignments of property; some cases may include more than one situation requiring review by the Committee.

As of December 31, 2011, 9 cases submitted to the Committee remained under deliberation.

The Committee reviewed 99 applications for issuance of a real estate or mortgage brokerage licence. In 27 cases, the Committee established the existence of a link between the criminal offence for which the applicant had been found or had pleaded guilty and the activity of real estate broker or agency. In 15 cases, the Committee decided that the appropriate action under the circumstances was to refuse to issue the licence.

The Committee also reviewed cases involving 48 licence holders. For all decisions rendered on these cases, the Committee determined that the licence should be maintained.

Finally, the Committee issued an opinion on 13 applications for advance decision by the Licence Issue and Maintenance Committee. ●



Georges Halasz
Chair of the Licence Issue and Maintenance Committee

CASES REVIEWED

	2011
Cases reviewed	**160**
Applications for issuance	**99**
Licence holders	**48**
Advance decisions	**13**

DECISIONS
(9 CASES WERE UNDER DELIBERATION AS AT DECEMBER 31, 2011)

	2011
Applications for issuance	
Refusals	**15**
Issuance	**80**
Licence holders	
Licence maintenance	**44**

Members
Licence Issue and Maintenance Committee

Chair

Georges Halasz
Chartered Real Estate Broker

Vice-chair

Marc-André Filion, LL. B.
Chartered Real Estate Broker

Members

Raymond-Noël Vaillancourt
Chartered Real Estate Broker

Paul Huard
Chartered Real Estate Broker

Bertrand Côté
Real Estate Broker

James Brown
Real Estate Broker

Jean-Luc Pulinckx
Real Estate Broker

Resources

Me Patricia Couture
Manager, Registries

Me Annie Hudon
Lawyer, Registries

Estelle Richard
Registries Clerk

Report from the Indemnity Committee

Created on May 1, 2010 by the Real Estate Brokerage Act (R.S.Q., c. C-73.2), the Indemnity Fund is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a broker or agency is responsible.

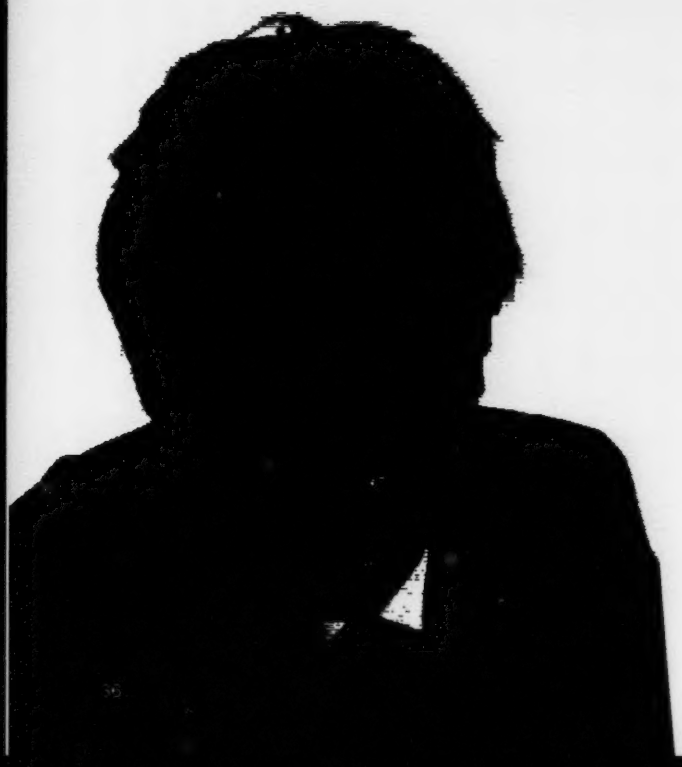
The Indemnity Committee created within the Organisme d'autoréglementation du courtage immobilier du Québec rules on the eligibility of claims submitted to it and decides the amount of the indemnities to be paid.

The Indemnity Fund, which is managed by the Organisme d'autoréglementation du courtage immobilier du Québec, is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a broker or agency, whether in real estate or mortgage brokerage is responsible. The role of the Indemnity Committee, created within the Organization, is to decide on the eligibility of claims filed against brokers or agencies and to set the amount of indemnity payable to victims.

This report covers the Indemnity Committee's first complete year of operation.

Appointments

First, we wish to announce the appointment by the OACIQ Board of Directors of Mr. Jean-Robert Benoit as Committee member.



GRATIEN DUBÉ
Chair of the Indemnity Committee

	2011	2010*
Claims received	**65**	84
Claims processed	**88**	83
Claims approved	**10**	2
Indemnities paid	**$81,463.60**	$14,909.27

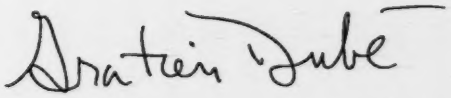
* Taking into account the cases processed by the *Fonds d'indemnisation du courtage immobilier* from January 1 to April 30, 2010.

Activities of the Committee

As at January 1, 2011, 106 cases were under review, and 15 claims processed by the Committee in 2010 remained under deliberation. According to the decisions rendered by the Committee in 2011, 13 of these claims were rejected and 2 were accepted, for a total of $20,000 paid in indemnities.

The Indemnity Committee met 10 times in 2011 and processed 88 claims. The Committee approved 8 of these claims, for which a total of $61,463.60 was paid in indemnities, and rejected 53 claims. Five files were closed for administrative reasons; 65 files were opened during the year, and 9 were reopened following an application for review.

As at December 31, 2011, 10 claims were approved for a total of $81,463.60 paid in indemnities. Eighty two claims were under review and 26 claims processed by the Committee remained under deliberation. ●



Gratien Dubé
Chair of the Indemnity Committee

Members
Indemnity Committee

Chair

Gratien Dubé
Chartered Real Estate Broker

Vice-Chair

M^e Nada Najm

Members

M^e Jean-Robert Benoit
Chartered Real Estate Broker

Maryse Bourgeault
Chartered Real Estate Broker

Aline Duplessis

Marcel Le Houillier

Lise Légaré
Chartered Real Estate Broker

Resources

M^e Patricia Couture
Manager, Registries

M^e Annie Hudon
Lawyer, Registries

Estelle Richard
Registries Clerk

Revenues

In 2011, total revenues in the OACIQ's General Operating Fund and the Indemnity Fund were up 10% to $21,707,404, compared with $19,708,473 en 2010. This rise is easily explained by the fact that in 2011, the increase in chargeable fees included the whole year whereas it only covered the last eight months of 2010.

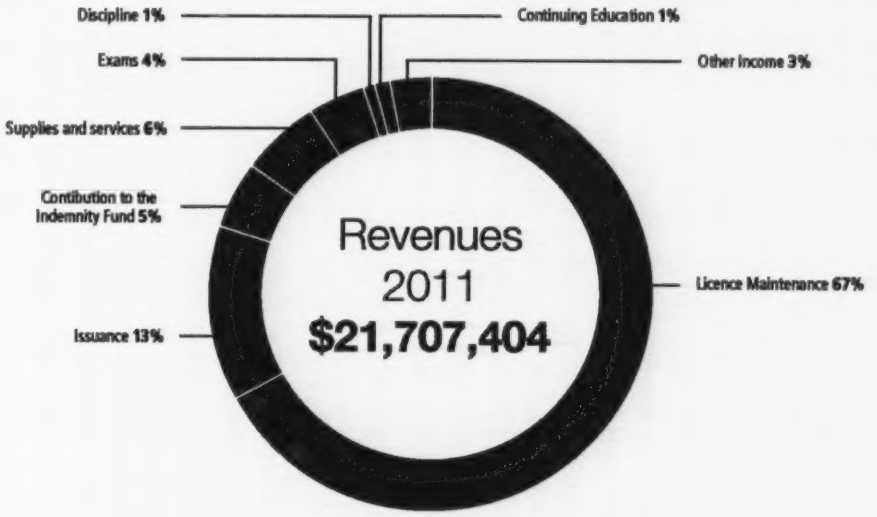
Sales of supplies and services were down in 2011 to $1,298,105 compared with $1,786,448 the previous year. This drop is largely due to a decrease in the sale of forms. With the introduction of new forms scheduled for July 1, 2012, brokers and agencies are making sure they use up their supplies of current forms before these become obsolete in a few months; there has also likely been an increase in the use of electronic forms.

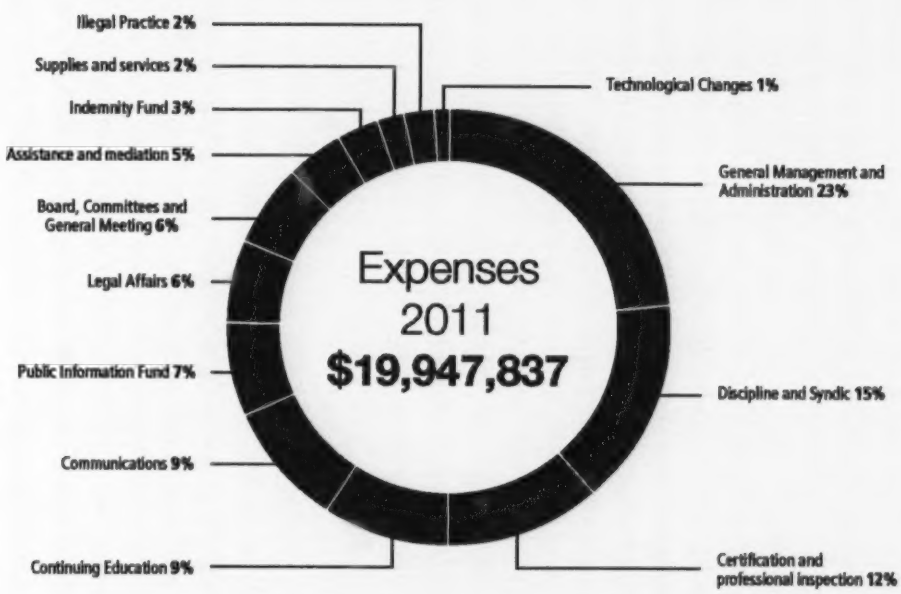
Revenues from continuing education activities also went down in 2011 since the mandatory education tour on the new Act ended early in the year, on January 31, 2011. These revenues total $204,582, versus $463,277 in 2010. A substantial increase is already expected for 2012 due to the mandatory education activity on new elements and amendments to forms, which must be completed by all brokers and agency executive officers.

DANIEL PELCHAT
Chair of the Audit and
Finance Committee

Members

Audit and Finance Committee





Chair

Daniel Pelchat

Members

Serge Brousseau

Johanne Roy

Pierre Carrier

Robert Nadeau

Resources

Claude Barsalou
Vice-chair
General Management

Vo-Long Truong
Vice-chair
Finance and Physical Resources Management

Nadine Corbeil
Manager
Accounting and Finance

Expenses

In 2011, expenses in the OACIQ's General Operating Fund and the Indemnity Fund totalled $19,947,837 compared with $17,968,313 the previous year, for an 11% increase.

The reasons for this increase include the hiring of new staff in 2011 to enable the Organization to carry out its growing responsibilities, in addition to the cost of new hires made in 2010, which covered a full year in 2011. It is also important to note that a substantial rise in the costs relating to the various statutory committees and the activities they create within the Organization, especially in the areas of discipline and syndic activities. The latter alone shows a cost increase of more than 30%, going from $2,261,319 in 2010 to $2,975,800 in 2011.

Expenses also take into account the amount budgeted for the 2011-2012 advertising campaign, which includes exposure on the Internet, French television and English radio, print media and roadside billboards. The amount allocated to this campaign has increased expenses of public information fund from $1,301,559 in 2010 to $1,473,662 in 2011.

In addition, the consultation tour held in spring 2011 on new elements and amendments to forms generated non-recurring expenses that are reflected in part in increased meetings and travel costs.

Conversely, we recorded a reduction in training expenses with the completion of the mandatory education tour on the new Act. Expenses of this sector went from $2,075,146 in 2010 to $1,791,163 in 2011. The decrease is lower than the costs incurred in 2010 for the training tour; this is due to the development of examinations, which generated a marked increase in expenses, especially in the area of salaries and benefits.

Indemnity Fund

The Indemnity Fund alone netted a surplus of $681,228 in 2011 compared with $406,652 in 2010. This increase is explained by the fact that the Fund has been under the OACIQ's responsibility since May 1, 2010 only, which means that 2010 results covered only eight months of activity, versus twelve months in 2011. Although the annual contribution to the Fund went up in 2010 and the maximum indemnity for victims increased from $15,000 to $35,000 at the same time, the number of claims paid has dropped since 2009, which explains why the Indemnity Fund continues to achieve sizeable surpluses.

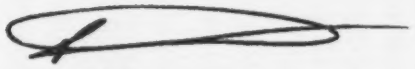
Surplus

For the year 2011, the General Operating Fund and the Indemnity Fund show a combined surplus of $1,759,567 compared with $1,740,160 in 2010, increasing the accumulated surplus from $9,047,101 to $10,806,668. It is important to note that the Indemnity Fund's accumulated surplus of $3,185,126 cannot be used for OACIQ activities. As for the General Administration Fund's accumulated surplus, it now stands at $7,621,542. It is important to remember, however, that a good portion of these surpluses is already earmarked for the 2012 advertising campaign and for capital investments.

Forecast

In summary, chargeable fees and contributions to the Indemnity Fund played a part in increasing revenues in 2011. On the other hand, we incurred major expenses, including costs relating to salaries, statutory committees, occupancy of premises and the major advertising campaign developed in 2011-2012 to showcase the value of dealing with a real estate or mortgage broker in any real estate transaction. This campaign will go into full swing in 2012.

For 2012, we can expect that the mandatory continuing education sessions on the new elements and amendments to forms will have an upward impact on both revenues and expenses, as the mandatory continuing education sessions on the new Act did in 2010. ●



Daniel Pelchat
Chair of the Audit and Finance Committee

To the Licence Holders of the Organisme d'autoréglementation du courtage immobilier du Québec

We have audited the financial statements of the Organisme d'autoréglementation du courtage immobilier du Québec (the "OACIQ"), which comprise the balance sheet as at December 31, 2011, the statements of income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Deloitte.

Samson Bélair/Deloitte & Touche

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.
1, Place Ville Marie, Suite 3000, Montreal QC H3B 4T9
Tel. : 514 393-7115 • Fax : 514 390-4116
www.deloitte.ca

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the OACIQ as at December 31, 2011, and the results of its activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. ●

Samson Bélair / Deloitte & Touche s.e.n.c.[1]

March 16, 2012

[1] Chartered accountant auditor permit No. 6724

STATEMENT OF INCOME *year ended December 31, 2011*

	General Operating Fund	Indemnity Fund	TOTAL 2011	2010
	$	$	$	$
REVENUE				
Fees and memberships	18,320,983	1,062,669	19,383,652	16,589,622
Training – Appendix A	204,582	–	204,582	463,277
Discipline and syndic – Appendix A	245,059	–	245,059	253,593
Supplies and services – Appendix A	1,298,105	–	1,298,105	1,786,448
Illegal brokerage practices – Appendix A	12,208	–	12,208	19,948
Investment income (Note 15)	142,668	189,112	331,780	151,320
Interest on income held in trust accounts (Note 10)	8,777	–	8,777	6,431
Other	218,041	5,200	223,241	437,834
	20,450,423	1,256,981	21 707 404	19,708,473
EXPENSES				
Administration				
Salaries and employee benefits	7,416,889	282,530	7,699,419	6,597,510
Professional fees	451,026	84,710	535,736	618,785
Board of Directors and committees	1,012,606	31,570	1,044,176	742,053
Meetings and travel	500,857	–	500,857	324,709
Office expenses	633,772	10,501	644,273	659,926
Occupancy expenses	956,129	22,082	978,211	959,408
Contribution to the Ministère des Finances du Québec	84,598	–	84,598	141,929
Publications and public relations	214,537	–	214,537	237,105
Technological conversion	215,097	–	215,097	316,969
Transaction costs	329,508	–	329,508	353,895
Elections	62,399	–	62,399	62,201
Indemnities	–	144,360	144,360	69,641
Amortization of capital assets (Note 7)	436,750	–	436,750	394,003
Training – Appendix A	1,791,163	–	1,791,163	2,075,146
Discipline and syndic – Appendix A	2,975,800	–	2,975,800	2,261,319
Supplies and services – Appendix A	474,127	–	474,127	629,094
Illegal brokerage practices – Appendix A	343,164	–	343,164	223,061
Fund for public information (Note 10)	1,473,662	–	1,473,662	1,301,559
	19,372,084	575,753	19 947 837	17,968,313
EXCESS OF REVENUE OVER EXPENSES	1,078,339	681,228	1 759 567	1,740,160

STATEMENT OF CHANGES IN NET ASSETS *year ended December 31, 2011*

	General Operating Fund			Indemnity Fund	TOTAL 2011	2010
	Invested in capital assets	Internally restricted (Note 10)	Unrestricted			
	$	$	$	$	$	$
BALANCE, BEGINNING OF YEAR	3,104,889	–	3,438,314	2,503,898	9 047 101	5,209,695
Net assets transferred to the Indemnity Fund	–	–	–	–	–	2,097,246
Excess (deficiency) of revenue over expenses	(645,705)*	(1,464,885)	3,188,929	681,228	1,759,567	1,740,160
Investment in capital assets	485,627	–	(485,627)	–	–	–
Internally restricted (Note 10)	–	1,464,885	(1,464,885)	–	–	–
BALANCE, END OF YEAR	2,944,811	–	4,676,731	3,185,126	10 806 668	9,047,101

* Represents the amortization of capital assets, net of the amortization of the lease inducement of $192,854 for leasehold improvements.

BALANCE SHEET *year ended December 31, 2011*

	General Operating Fund	Indemnity Fund	TOTAL 2011	TOTAL 2010
	$	$	$	$
ASSETS				
CURRENT ASSETS				
Cash	3,994,264	393,441	4,387,705	4,626,868
Investments (Note 3)	6,635,455	3,666,484	10,301,939	8,671,831
Accrued interest receivable	76,294	23,349	99,643	70,914
Accounts receivable (Note 4)	640,030	–	640,030	784,114
Advance to the Indemnity Fund ($239,932 in 2010) (Note 5)	78,056*	–	–	–
Supplies inventory (Note 6)	70,809	–	70,809	159,748
Prepaid expenses	629,029	–	629,029	91,088
	12,123,937	4,083,274	16,129,155	14,404,563
Capital assets (Note 7)	6,512,629	–	6,512,629	6,865,561
	18,636,566	4,083,274	22,641,784	21,270,124
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities (Note 8)	1,930,837	78,000	2,008,837	1,788,816
Amount payable to the General Operating Fund ($239,932 in 2010) (Note 5)	–	78,056*	–	–
Provision for claims (Note 9)	–	374,210	374,210	364,314
Deferred revenue	5,389,043	367,882	5,756,925	6,175,014
	7,319,880	898,148	8,139,972	8,328,144
Deferred lease inducement at net book value	3,695,144	–	3,695,144	3,894,879
	11,015,024	898,148	11,835,116	12,223,023
COMMITMENTS AND CONTINGENCIES (NOTES 13 ET 14)				
NET ASSETS				
Invested in capital assets	2,944,811	–	2,944,811	3,104,889
Unrestricted	4,676,731	–	4,676,731	3,438,314
Indemnity Fund	–	3,185,126	3,185,126	2,503,898
	7,621,542	3,185,126	10,806,668	9,047,101
	18,636,566	4,083,274	22,641,784	21,270,124

* These amounts are not included in the "Total" column as they cancel each other out.

Approved by the Board:

Serge Brousseau
Chairman of the Board

Daniel Pelchat
Treasurer of the Board

STATEMENT OF CASH FLOWS *year ended December 31, 2011*

	General Operating Fund	Indemnity Fund	TOTAL 2011	2010
	$	$	$	$
Operating activities				
Excess of revenue over expenses	**1,078,339**	**681,228**	**1,759,567**	1,740,160
Items not affecting cash:				
Realized and unrealized (gain) loss on investments	**258,019**	**(116,746)**	**141,273**	218,217
Amortization of capital assets	**838,559**	**–**	**838,559**	732,883
Amortization of lease inducements	**(199,735)**	**–**	**(199,735)**	(118,472)
Write-off of capital assets	**–**	**–**	**–**	49,664
Lease inducements received for free rent	**–**	**–**	**–**	137,074
	1,975,182	**564,482**	**2,539,664**	2,759,526
Changes in non-cash operating working capital items (Note 11)	**(398,219)**	**(123,600)**	**(521,819)**	(2,319,105)
	1,576,963	**440,882**	**2,017,845**	440,421
Investing activities				
Acquisition of investments	**(16,313,380)**	**(2,035,772)**	**(18,349,152)**	(12,443,349)
Proceeds on sale of investments	**15,630,730**	**947,041**	**16,577,771**	14,344,661
Acquisition of capital assets	**(485,627)**	**–**	**(485,627)**	(2,979,418)
	(1,168,277)	**(1,088,731)**	**(2,257,008)**	(1,078,106)
Net (decrease) increase in cash	**408,686**	**(647,849)**	**(239,163)**	(637,685)
Cash, beginning of year	**3,585,578**	**1,041,290**	**4,626,868**	5,091,426
Cash received from the Indemnity Fund transfer	**–**	**–**	**–**	173,127
Cash, end of year	**3,994,264**	**393,441**	**4,387,705**	4,626,868

Additional information is presented in Note 11.

1. Description of the Organization

L'Organisme d'Autoréglementation du courtage immobilier du Québec ("OACIQ"), incorporated under the *Real Estate Brokerage Act* (R.S.Q., c. C 73.2), (the "Act") has a primary role in protecting the public in real estate and mortgage brokerage dealings by enforcing rules of professional conduct and by inspecting the activities of brokers and agencies, mainly, by ensuring that the professional activities engaged in by brokers and agencies are in compliance with the Act.

It may also provide training courses for brokers and agency executive officers, with the exception of basic training courses, and award the titles referred to in Section 48 of the Act.

2. Accounting policies

The OACIQ has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations not to apply sections 3862 and 3863 of the CICA Handbook, which would otherwise have applied to the financial statements of the OACIQ for the year ended December 31, 2011. The OACIQ applies the requirements of Section 3861 of the CICA Handbook regarding disclosure and presentation of the financial instruments.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Fund accounting

The General Operating Fund is used for all ordinary and regular operations of the OACIQ. Revenue and expenses related to services and administration are presented in the General Operating Fund.

The Real Estate Indemnity Fund is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a broker or agency is responsible. This Fund is established in accordance with Section 108 of the Act. The assets of this Fund are not part of the OACIQ's assets and may not be used to fulfill the OACIQ's obligations.

Revenue recognition

The OACIQ follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value, and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the OACIQ's designation of such instruments. Settlement date accounting is used.

Classification

Cash	Held for trading
Accrued interest receivable	Held for trading
Accounts receivable	Loans and receivables
Investments	Held for trading
Accounts payable, accrued liabilities and provision for claims	Other liabilities

Held for trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities.

Transaction costs

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to other liabilities and loans and receivables are added to the carrying value of the asset or are netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method.

Interest rate method

The OACIQ uses the effective interest method to recognize revenue or expenses, which includes transaction costs as well as charges, premiums or discounts earned or incurred for financial instruments.

Supplies inventory

The supplies inventory is valued at the lower of cost and net realizable value. Cost is determined on the first in, first out basis.

Capital assets

Capital assets are recorded at cost and are amortized based on their estimated useful life using the straight-line method over the following terms:

Computer equipment	1 and 3 years
Office equipment	4 years
Telephone equipment	7 years
Furniture	10 and 20 years
Leasehold improvements	term of the lease

Deferred revenue

Revenue from annual fees from licence holders is charged to the statement of income on a monthly basis over the duration of the broker licences, which is 12 months. In accordance with Section 22 of the *Regulation respecting the issue of broker's and agency licences*, they are not refundable to licence holders and they will be applicable on the income of the next year-end.

Deferred lease inducement

The deferred lease inducement represents the amounts collected from the landlord as lease inducements made up of an allowance for leasehold improvements and free rent. This income is amortized on a straight-line basis over the original term of the lease, which expires in June 2030, i.e., 20 years. Amortization is applied against occupancy expenses in the statement of income.

Disclosure of allocated expenses

A unique coding system is used for each of the OACIQ's services and activities. The OACIQ's general support expenses and overhead are allocated as follows:

Proportionately on the basis of hours allocated to the activity by human resources:

- Salaries and employee benefits
- Telecommunications
- Training, conferences and seminars
- Board of Directors and committees
- Meetings
- Elections

Proportionately on the basis of expense type:

- Insurance
- Membership fees
- Legal and miscellaneous fees
- Communication expenses

Proportionately on the basis of the purpose of the delivery:

- Printing for external use
- Delivery

Proportionately on the basis of user services:

- Data bank
- Stationery and supplies
- Writing and translation

Proportionately on the basis of number of employees in the department:

- Amortization – furniture; office, computer, and telephone equipment
- Insurance
- Maintenance equipment
- Stationery
- Computer supplies
- Telephone

Proportionately on the basis of square footage occupied by the department:

- Normal rent
- Maintenance of premises
- Surtax
- Amortization of leasehold improvements
- Rent allocation

The amounts charged to the various activities are presented in the statement of income, Appendix A and Note 10 to the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Future accounting changes

New accounting framework

The CICA has approved a new accounting framework applicable to not-for-profit organizations. Effective for fiscal years beginning on January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards (IFRS) and the new accounting standards for not for profit organizations, whichever suits them best. The OACIQ currently plans to adopt the new accounting standards for not for profit organizations for its fiscal year beginning on January 1, 2012. The impact of this transition has not yet been determined.

3. Investments

General Operating Fund investments consist of bonds, which earn interest from 1.60% to 5.60% (1.15% to 5.90% in 2010) and mature between January 2012 and February 2013 (between January 2011 and January 2012 in 2010).

Indemnity Fund investments consist of bonds, which earn interest from 1.65% to 8.00% (2.65% to 5.10% in 2010) and mature between January 2012 and December 2026 (between September 2011 and June 2026 in 2010).

4. Accounts receivable

	2011	2010
	$	$
GENERAL OPERATING FUND		
Trade	**602,581**	780,362
Allowance for doubtful accounts	**(97,807)**	(89,395)
	504,774	690,967
SALES TAXES	**135,256**	93,147
	640,030	784,114

5. Interfund advances and amounts payable

The advance from the General Operating Fund to the Indemnity Fund represents a refund of expenses paid by the General Operating Fund for the Indemnity Fund activities. Interfund advances and amounts payable are non-interest-bearing.

6. Supplies inventory

The cost of supplies inventory sold, which is recognized as an expense during the year, amounts to $358,077 ($452,842 in 2010).

7. Capital assets

	2011			2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
GENERAL OPERATING FUND				
Computer equipment	**1,423,808**	**955,896**	**467,912**	539,217
Office equipment	**651,328**	**399,625**	**251,703**	216,307
Telephone equipment	**270,554**	**57,604**	**212,950**	239,936
Furniture	**2,129,316**	**580,882**	**1,548,434**	1,661,622
Leasehold improvements	**4,356,688**	**325,058**	**4,031,630**	4,208,479
	8,831,694	2,319,065	6,512,629	6,865,561

Amortization of capital assets for the year ended December 31, 2011 amounts to $838,559 ($732,883 in 2010), of which $436,750 ($394,003 in 2010) is clearly presented in the statement of income of the General Operating Fund. The remaining balance is allocated to the cost centres of the General Operating Fund.

8. Accounts payable and accrued liabilities

	2011			2010
	General Operating Fund	Indemnity Fund	TOTAL	TOTAL
	$	$	$	$
Accounts payable	**283,136**	**–**	**283,136**	378,871
Accrued liabilities	**423,891**	**5,000**	**428,891**	394,401
Salaries and deductions at source	**1,223,810**	**–**	**1,223,810**	995,544
Claims payable	**–**	**73,000**	**73,000**	20,000
	1,930,837	78,000	2,008,837	1,788,816

9. Provision for claims

Upon receipt of a claim duly sworn, the Indemnity Fund's policy is to recognize a provision of 25% of the amount claimed. Since May 1, 2010, the maximum compensation payable from the Fund is $35,000, whereas before, the amount was $15,000. This provision is maintained until the final decision of the Indemnity Committee.

10. Financing Fund for public information

The Financing Fund of the OACIQ was established in accordance with the Act. The Fund is made up of interest earned on the money held in trust accounts by brokers under the Act. The Fund must be used in particular to produce and disseminate information on the public's rights in real estate brokerage and to promote the quality of services provided by brokers and agencies.

Interest income paid to the Fund and Fund-related expenses, which are included in the revenue and expenses of the OACIQ's General Operating Fund, are as follows:

NET LOSS ON INTEREST HELD IN TRUST ACCOUNTS BY LICENCE HOLDERS

	2011	2010
	$	$
Interest on income held in trust accounts	8,777	6,431
Publicity	1,338,892	1,252,545
Salaries and employee benefits	85,648	7,433
Professional fees	36,658	14,575
Office expenses	–	261
Travel	364	16,238
Bank charges	12,100	10,507
	1,473,662	1,301,559
	1,464,885	1,295,128

11. Additional information relating to the statement of cash flows

	General Operating Fund	Indemnity Fund	TOTAL 2011	TOTAL 2010
	$	$	$	$
Changes in non-cash operating working capital items				
Accrued interest receivable	(13,283)	(15,446)	(28,729)	26,102
Advance to the Indemnity Fund	161,876*	–	–	–
Accounts receivable	144,084	–	144,084	(173,715)
Supplies inventory	88,939	–	88,939	(59,508)
Prepaid expenses	(537,941)	–	(537,941)	129,298
Accounts payable and accrued liabilities	166,949	53,072	220,021	(533,396)
Amount payable to the General Operating Fund	–	(161,876)*	–	–
Provision for claims	–	9,896	9,896	49,641
Deferred revenue	(408,843)	(9,246)	(418,089)	(1,757,527)
	(398,219)	(123,600)	(521,819)	(2,319,105)

* These amounts are not included in the "Total" column as they cancel each other out.

12. Capital disclosures

The capital management objective is to safeguard the OACIQ's ability to protect the public through application of the rules of ethics and to perform professional inspections of its licence holders by ensuring, in particular, that its licence holders undertake their activities in accordance with the Act and the regulations. The OACIQ is not subject to externally restricted capital requirements.

The OACIQ considers the amount of net assets recorded on the balance sheet as its capital. As at December 31, 2011, the capital of the OACIQ's General Operating Fund amounted to $7,621,542 ($6,543,203 in 2010) and the capital of the Indemnity Fund amounted to $3,185,126 ($2,503,898 in 2010).

13. Commitments

The OACIQ is committed under a lease that expires in July 2030 for the rental of head office space, and under vehicle leases expiring between January 2012 and February 2016. Minimum future rent payments total $34,742,442, excluding operating expenses that are invoiced each year, include the following payments over the next five years:

	$
2012	1,721,103
2013	1,708,787
2014	1,686,566
2015	1,713,920
2016	1,776,072

14. Contingencies

In the normal course of business, the OACIQ is involved in various claims. Though the outcome of these various pending claims as at December 31, 2011 cannot be determined with certainty, the OACIQ believes that their outcome will have no significant adverse effect on its financial position, operating results or cash flows.

15. Investment income

	2011			2010
	General Operating Fund	Indemnity Fund	TOTAL	TOTAL
	$	$	$	$
Interest on financial assets held for trading	**400,687**	**72,366**	**473,053**	369,537
Realized (losses) gains on investments	**(154,266)**	**30,316**	**(123,950)**	(87,434)
Unrealized (losses) gains on investments	**(103,753)**	**86,430**	**(17,323)**	(130,783)
INVESTMENT INCOME	142,668	189,112	331,780	151,320

16. OACIQ's professional liability Insurance Fund

In accordance with the Act, the OACIQ has created a Professional Liability Insurance Fund, which is governed by the *Act respecting insurance*. The OACIQ holds the right to appoint all members of the board, thus, according to Canadian generally accepted accounting principles, the OACIQ controls the Fund. The financial information as at December 31, 2011 and 2010 is not consolidated in these financial statements and is summarized as follows:

	2011 $	2010 $
Balance sheet		
Assets	**48,542,129**	44,251,513
Liabilities	**24,265,331**	25,292,553
Accumulated surplus	**24,276,798**	18,958,960
	48,542,129	44,251,513
Statement of income		
Revenue	**10,528,315**	10,850,622
Expenses	**5,901,550**	5,592,222
Earnings for the year	**4,626,765**	5,258,400
Unrealized gain (loss) on available-for-sale securities	**458,098**	(101,065)
Portion reclassified to income from available-for-sale securities	**232,975**	(179,817)
Comprehensive income	**5,317,838**	4,977,518
Cash flows		
Operating activities	**6,280,013**	6,197,895
Investing activities	**(6,231,334)**	(8,700,828)

The current financial statements of the Fund are prepared under IFRS for the first time. For all year-ends before and including December 31, 2010, the Fund prepared the financial statements in accordance with Canadian generally accepted accounting principles (GAAP). Although Canadian GAAP and IFRS differ in certain respects, the transition to IFRS did not result in any restatements to amounts for the year ended December 31, 2010.

With respect to the application of accounting policies, the main difference is that the Fund has adopted the financial instrument disclosure recommendations of CICA Handbook sections 3862 and 3863, whereas the OACIQ has elected not to apply these sections under the exemption granted by the CICA to not-for-profit organizations.

During the year, the OACIQ incurred, with this Fund, expenses totalling $29,434 ($70,242 in 2010), which were completely re-invoiced. In addition, fees for an amount of $49,033 ($139,074 in 2010) and occupancy expenses totalling $105,198 ($91,001 in 2010) have been billed. These transactions were in the normal course of operations and were measured at the exchange amount. As at December 31, 2011, a balance of $10,506 is included in accounts receivable in relation to these transactions ($291,197 in 2010). Furthermore, accounts payable and accrued liabilities include $39,208 (nil in 2010) for premiums received by the OACIQ for the Fund.

17. Subsequent events

On February 29, 2012, the OACIQ exercised the option it held under the lease and acquired a 50% interest in the limited partnership that owns the building that OACIQ uses for operational activities, and will be paid with $3,395,000 in cash. The cost of the acquired share was based on the value of the building as determined under the terms and conditions of the purchase option in the lease, of which the value was established at $25,577,000, from which the mortgaged amount on the building was deducted. According to a valuation performed by an independent expert, the total fair value of the building at the time of acquisition of the shares of the limited partnership was $28,000,000. The exercised option does not have a significant impact on the commitments disclosed in Note 13.

18. Financial instruments

Credit risk

The OACIQ extends credit to licence holders in the normal course of business. Ongoing credit checks are conducted and the balance sheet includes an allowance for doubtful accounts.

In addition, credit risk arises because the OACIQ holds investments in bonds. Therefore, there is a risk that a bond issuer could fail to meet its obligations towards the OACIQ, which would affect the assets of the OACIQ.

Interest rate risk

Investments bear interest at fixed rates. Consequently, a change in the market interest rate will have an impact on the fair value of the investments.

Fair value

The fair values of accounts receivable, accounts payable and accrued liabilities and provisions for claims approximate their carrying value due to their short-term maturity.

19. Comparative figures

Prior year earnings include 12 months for the General Operating Fund and 8 months for the Indemnity Fund. The OACIQ has been managing the Indemnity Fund since the new law on real estate brokerage came into effect on May 1, 2010, and consequently, this financial information is included in OACIQ's financial statements since that date. The results for the year ended December 31, 2010 include an excess of revenue over expenses of $406,652 attributable to the Indemnity Fund.

Certain comparative figures have been reclassified to conform to the current year's presentation.

Revenues and expenses
year ended December 31, 2011

	2011	2010
	$	$
TRAINING		
Revenue		
Training activities	**204,582**	463,277
Direct expenses		
Salaries and employee benefits	**1,044,801**	538,291
Professional fees	**173,115**	544,782
Occupancy expenses	**231,322**	65,236
Travel	**272,431**	770,026
Publications	**3,503**	111,429
Office expenses	**24,729**	19,095
Doubtful accounts	**1,267**	230
Amortization of capital assets	**39,995**	26,057
	1,791,163	2,075,146
	(1,586,581)	(1,611,869)

	2011	2010
	$	$
DISCIPLINE AND SYNDIC		
Revenue		
Fines and premiums received	**245,059**	253,593
Direct expenses		
Discipline committee	**613,494**	291,599
Salaries and employee benefits	**1,420,730**	1,142,844
Doubtful accounts	**140,506**	47,897
Delivery	**129,502**	106,078
Professional fees	**164,497**	134,850
Occupancy expenses	**282,889**	244,635
Office expenses	**67,501**	110,835
Public notices	**37,953**	41,630
Travel	**38,739**	39,994
Amortization of capital assets	**79,989**	100,957
	2,975,800	2,261,319
	(2,730,741)	(2,007,726)

	2011	2010
	$	$
SUPPLIES AND SERVICES		
Revenue		
Sales of forms, manuals and other	**1,298,105**	1,786,448
Direct expenses		
Cost of sales	**385,068**	483,048
Salaries and employee benefits	**84,330**	138,013
Printing and translation	**5,100**	5,331
Other expenses	**270**	–
Doubtful accounts	**(641)**	2,702
	474,127	629,094
	823,978	1,157,354

	2011	2010
	$	$
ILLEGAL BROKERAGE PRACTICES		
Revenue		
Penalties received	**12,208**	19,948
Direct expenses		
Salaries and employee benefits	**237,977**	141,405
Penal investigations	**28,310**	25,017
Legal fees	**32,820**	22,246
Occupancy expenses	**20,173**	18,191
General administration	**9,341**	8,562
Amortization of capital assets	**14,543**	7,640
	343,164	223,061
	(330,956)	(203,113)

Fonds d'assurance responsabilité professionnelle
DU COURTAGE IMMOBILIER DU QUÉBEC

ANNUAL REPORT
2011

FARCIQ DIRECTORS

As at December 31, 2011[1]

M. JEAN-GUY SAVOIE
Chairman of the Board of Directors
Real Estate Broker
Royal LePage La Renaissance
Chair of the Governance Committee

M^e MICHEL LÉONARD
Vice-Chair of the Board and Director
Lawyer and Real Estate Broker
President of *Fonds de Placement Immobilier BTB*
Chair of the Visibility Committee and member of the Governance, Ethics and Investment Committees

M. MARTIN DUPRAS, a.s.a., Pl.Fin., D.Fisc
Treasurer and Director
President of ConFor financiers Inc.
Chair of the Investment and Audit Committees and member of the Governance Committee

M. ALBERT ARDUINI, T.P., PAA
Director
Manager, Building inspection and expertise
SCM Gestion des Risques Inc.
Member of the Audit and Claims Committees

YVES COUSINEAU
Director
Lawyer, Robinson Sheppard Shapiro s.e.n.c.r.l.

XAVIER LECAT
Director
Real Estate Broker
Re/Max Vision (1990) Inc.

DENIS MAJEAU
Director
Chartered Accountant
Member of the Audit Committee

LOUIS-GEORGES PELLETIER
Director
General Insurance Broker
Chair of Claims Committee and member of Investment, Governance and Visibility Committees

CHRISTIANE ST-JEAN
Director
Manager
Re/Max Accès Inc.
Member of Ethics and Visibility Committees

M^e LOUIS HAECK
Notary
General Manager

[1] Also Directors for a portion of 2011:
André Bois, David Gagnon, Gaétane Lafontaine and Carole Paré.

Fonds d'assurance responsabilité professionnelle
DU COURTAGE IMMOBILIER DU QUÉBEC

MISSION

Protect our policyholders' assets through professional liability insurance.

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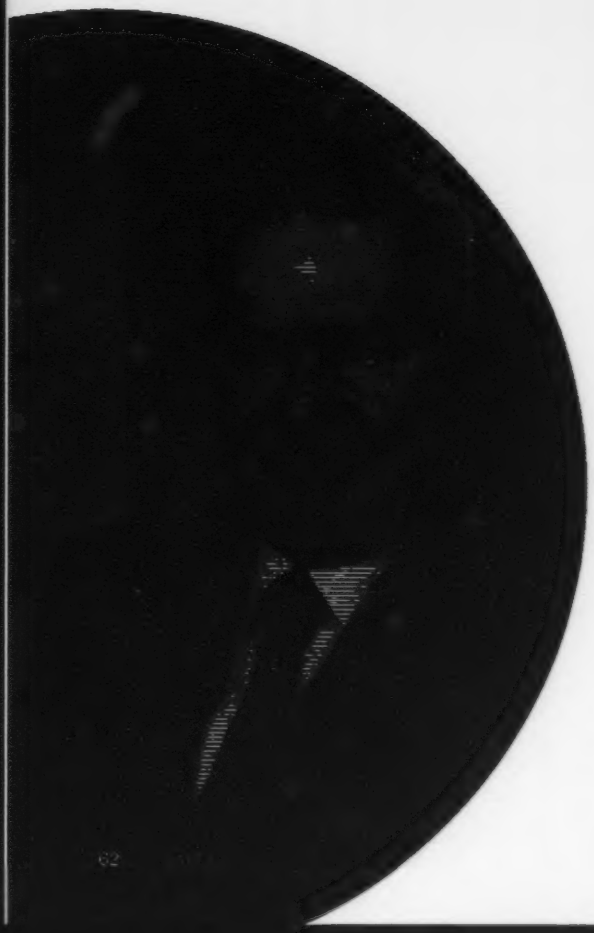
In 2011, the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (FARCIQ) reached an important level of maturity. The board of directors was renewed by the OACIQ. New members joined the board: Yves Cousineau, Xavier Lecat, Denis Majeau, Louis-Georges Pelletier, and Christiane St-Jean. Our liability insurance Fund is still young, but we are ending our fifth year in solid financial shape, which will enable us to improve insurance coverage for the OACIQ licence holders.

Claims management is focused on our insured members, working to protect their assets and, on a broader scale, the public. The Fund manages the monies it is entrusted with in a prudent and reasonable manner, under the guidance of skilled Board members and employees.

The year 2012 is starting with improved coverage for potential claims in order to reflect the needs of our industry. But although coverage will be increased in 2012, premiums will remain the same as in 2011, thanks to proactive management of the risks inherent to our business. The liability insurance fund understands the needs of its clients, and we are aware that prevention is an essential tool in a broker's daily practice. After five years of operation, our statistics now allow us to draw a profile of claims, helping us adjust our insurance coverage based on reality.

In 2012, we will be focusing on prevention, in cooperation with the OACIQ.

We wish all real estate brokerage licence holders a very successful year. ●



Jean-Guy Savoie
Outgoing Chairman of the Board for 2011

JEAN-GUY SAVOIE
Outgoing Chairman of the Board for 2011

Fonds d'assurance responsabilité professionnelle
DU COURTAGE IMMOBILIER DU QUÉBEC

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assurance@farciq.com
www.farciq.com

Message from the General Manager

The Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (FARCIQ) ended the year 2011 with encouraging results. The Fund strives to provide quality service to its policyholders. The protection of our clients' assets and our financial strength remain major priorities.

This year, we welcomed several new members to the Board and created two new committees, i.e. a Governance Committee and a Visibility Committee, to better serve our clients.

We also changed our investment policy and added a new manager to our portfolio in order to reduce our investment risks.

We maintain a good relationship with our insurance and reinsurance brokers and have renewed their respective mandates. In addition, an independent expert has evaluated our Claims Department and his report confirms the professionalism of the Fund's employees. In addition, we regularly survey our clients following claims processing, and 96% have declared themselves generally satisfied with the services we provide.

In 2011, the annual premium was reduced from $550 to $485. In addition, for 2012, we have recommended an increase in our clients' insurance coverage, which will go from $250,000 to $1,000,000 to better protect them. Thus in 2012 we will be offering the average coverage provided by other real estate insurance funds across Canada. As at December 31, 2011, our Fund was providing coverage to about 18,000 people.

I wish to thank the directors of FARCIQ for their dedication, their attention to detail and their boundless energy throughout 2011. They take an active part in our Fund's success. I would also like to commend our entire team on their commitment and efforts throughout the year.

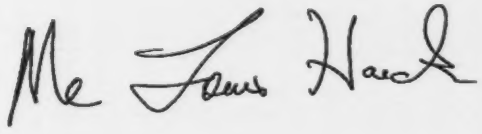
LOUIS HAECK
General Manager

We are beginning the year 2012 in a spirit of continuity and stability under our new Chair, Mr. Michel Léonard, Montreal real estate broker.

In ending, I would like to extend my thanks to the Board's outgoing Chairman, Jean-Guy Savoie, a Real Estate Broker from Gatineau, for his valuable advice and ongoing support for our team.

I would also like to thank our directors who left in 2011 namely Mrs. Gaétane Lafontaine, Mrs. Carole Paré, Mr. David Gagnon and Me André Bois, for their contribution to FARCIQ.

And finally, several OACIQ employees also contributed to the success of our projects throughout the year. We wish to thank the general management and the Board of the OACIQ for their generous collaboration and understanding throughout the past year. Their support is very much appreciated. ●



Me Louis Haeck
General Manager

To the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (FARCIQ)

We have audited the accompanying financial statements of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec [the "FARCIQ" or "Insurance Fund"] which comprise the statements of financial position as at December 31, 2011 and 2010, and January 1, 2010, and the statements of comprehensive income, change in accumulated surplus and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the FARCIQ as at December 31, 2011 and 2010, and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Ernst & Young s.r.l./S.E.N.C.R.L.[1]

Chartered Accountants

Montréal, Canada
February 21, 2012

[1] CA auditor permit no. 15504

STATEMENT OF COMPREHENSIVE INCOME
Years ended December 31

	2011	2010
	$	$
INSURANCE OPERATIONS		
Premiums earned [Note 11]	**9,778,162**	10,492,202
Reinsurance premiums ceded [Note 11]	**(533,315)**	(603,017)
Net earned premiums	**9,244,847**	9,889,185
Claims and loss adjustment expenses	**4,304,281**	4,494,872
General and administrative expenses	**1,597,269**	1,097,350
Total claims and expenses	**5,901,550**	5,592,222
Underwriting profit	**3,343,297**	4,296,963
Investment and other income [Note 4]	**1,283,468**	961,437
Income for the year	**4,626,765**	5,258,400
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gain (loss) on available-for-sale securities	**458,098**	(101,065)
Portion reclassified to income from available-for-sale securities	**232,975**	(179,817)
COMPREHENSIVE INCOME	**5,317,838**	4,977,518

See accompanying Notes to Financial Statements

STATEMENT OF CHANGE IN ACCUMULATED SURPLUS
Years ended December 31

2011	Accumulated surplus	Accumulated other comprehensive income (loss)	**Total**
	$	$	$
Balance as at December 31, 2010	18,822,878	136,082	**18,958,960**
Income for the year	4,626,765	—	**4,626,765**
Other comprehensive income	—	691,073	**691,073**
Balance as at December 31, 2011	23,449,643	827,155	24,276,798

2010			
Balance as at December 31, 2009	13,564,478	416,964	**13,981,442**
Income for the year	5,258,400	—	**5,258,400**
Other comprehensive loss	—	(280,882)	**(280,882)**
Balance as at December 31, 2010	18,822,878	136,082	**18,958,960**

See accompanying Notes to Financial Statements

STATEMENT OF FINANCIAL POSITION
as at December 31

	December 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
ASSETS			
Cash	**708,646**	390,385	528,913
Treasury bills	**169,675**	439,257	2,803,662
Investments [Note 4]	**41,839,376**	34,992,975	27,020,504
Investment income receivable	**182,618**	280,040	213,079
Premiums and other receivables [note 14]	**139,135**	390,246	280,300
Prepaid expenses	**5,410**	11,855	10,803
Amounts recoverable from reinsurers for claims liabilities [Note 9]	**4,579,000**	6,922,000	6,952,859
Prepaid reinsurance	**257,198**	190,386	317,438
Deductibles recoverable from policyholders for claims liabilities	**456,339**	450,133	590,355
Property, plant and equipment [Note 7]	**89,143**	99,561	51,738
Intangible assets [Note 8]	**115,589**	84,675	34,900
	48,542,129	44,251,513	38,804,551
LIABILITIES			
Accounts payable and accrued liabilities	**544,319**	166,086	167,044
Due to OACIQ [Note 13]	**10,825**	226,391	135,000
Unearned premiums	**3,159,848**	3,550,943	5,225,602
Claims liabilities [Note 9]	**20,550,339**	21,349,133	19,295,463
	24,265,331	25,292,553	24,823,109
ACCUMULATED SURPLUS			
Accumulated surplus, end of year	**23,449,643**	18,822,878	13,564,478
Accumulated other comprehensive income	**827,155**	136,082	416,964
	24,276,798	18,958,960	13,981,442
	48,542,129	44,251,513	38,804,551

Commitments [Note 16]

See accompanying Notes to Financial Statements

On behalf of the Board of Directors

MICHEL LÉONARD
Director

MARTIN DUPRAS
Director

STATEMENT OF CASH FLOWS
Years ended December 31

	2011	2010
	$	$
OPERATING ACTIVITIES		
Income for the year	**4,626,765**	5,258,400
Adjustments for:		
Amortization of property, plant and equipment	**35,734**	28,046
Amortization of intangible assets	**71,050**	92,931
Amortization of premiums and investment discounts	**256,278**	383,657
Loss on write-off of property, plant and equipment	**–**	2,571
Gain on disposal of investments	**(307,552)**	(157,328)
	4,682,275	5,608,277
Change in non-cash working capital items		
Investment income receivable	**97,422**	(66,961)
Premiums and other receivables	**251,111**	(109,946)
Prepaid expenses	**6,445**	(1,052)
Amounts recoverable from reinsurers for claims liabilities	**2,343,000**	30,859
Prepaid reinsurance	**(66,812)**	127,052
Deductibles recoverable from policyholders for claims liabilities	**(6,206)**	140,222
Accounts payable and accrued liabilities	**378,233**	(958)
Due to OACIQ	**(215,566)**	91,391
Unearned premiums	**(391,095)**	(1,674,659)
Claims liabilities	**(798,794)**	2,053,670
	6,280,013	6,197,895
INVESTING ACTIVITIES		
Acquisition of investments	**(57,006,809)**	(33,001,131)
Proceeds on disposal of investments	**50,902,755**	24,521,449
Additions to property, plant and equipment	**(25,316)**	(78,440)
Additions to intangible assets	**(101,964)**	(142,706)
	(6,231,334)	(8,700,828)
Net increase (decrease) in cash and cash equivalents	**48,679**	(2,502,933)
Cash and cash equivalents, beginning of year	**829,642**	3,332,575
CASH AND CASH EQUIVALENTS, END OF YEAR	**878,321**	829,642
Cash and cash equivalents consist of:		
Cash	**708,646**	390,385
Treasury bills	**169,675**	439,257
	878,321	829,642

See accompanying Notes to Financial Statements

1. INCORPORATION AND NATURE OF OPERATIONS

Governed by the *Insurance Act*, the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec [the "FARCIQ" or "Insurance Fund"] [formerly the Fonds d'assurance responsabilité professionnelle of the Association des courtiers et agents immobiliers du Québec] was incorporated by Québec's self-regulatory body for real estate brokers, the Organisme d'autoréglementation du courtage immobilier du Québec [the "OACIQ"] [formerly the Association des courtiers et agents immobiliers du Québec]. The OACIQ obtained its insurer permit on July 4, 2006, and the Insurance Fund commenced operations on July 21, 2006. Its mission is to provide professional liability insurance coverage to OACIQ real estate brokers and agents. The Insurance Fund's head office is located at 4905 Lapinière Blvd., Suite 2800, Brossard, Québec, Canada.

2. BASIS OF PRESENTATION

These financial statements represent the Insurance Fund's first financial statements prepared in accordance with International Financial Reporting Standards ["IFRS"], as issued by the International Accounting Standards Board ["IASB"]. These financial statements and the accompanying notes were authorized for issue in accordance with a resolution of the Board of Directors on February 21, 2012.

For all years up to and including the year ended December 31, 2010, the Insurance Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles ["GAAP"]. Although Canadian GAAP differs from IFRS in certain respects, the transition to IFRS did not give rise to any changes to the comparative figures *[Note 17]*.

The Insurance Fund uses a liquidity presentation for statement of financial position items.

3. ACCOUNTING POLICIES

Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Insurance Fund agrees to compensate a policyholder on the occurrence of an adverse specified uncertain future event. As a general guideline, the Insurance Fund determines whether it has significant insurance risks, by comparing the benefits that could become payable under various possible scenarios relative to the premium received from the policyholder for insuring the risk.

Claims liabilities

Claims liabilities consist of unpaid claims and loss adjustment expenses ["unpaid claims"]. Unearned premiums are calculated as the unexpired portion of the premiums written on a pro rata basis. Upon receipt of any notice of claim, the net final cost of claims and loss adjustment expenses is first estimated on a case-by-case basis and then reassessed as additional information becomes known. Included in unpaid claims is a provision to account for the future development of these claims, including claims incurred but not reported, as well as a provision for adverse deviations, as required by accepted actuarial practice in Canada. Unpaid claims are discounted to take into account the time value of money using the market rates of the underlying invested assets.

An external actuary, appointed by the Board of Directors of the Insurance Fund, evaluates the adequacy of claims liabilities using appropriate actuarial techniques.

Unearned premiums

Premiums written are deferred as unearned premiums and recognized as revenue on a pro rata basis over the terms of the underlying policies.

Reinsurance

Claims are presented in the statement of comprehensive income, net of amounts recoverable from reinsurers. Estimated amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable for claims.

Amounts recoverable from reinsurers are assessed in the same manner as unpaid claims and are recorded to reflect the time value of money.

Financial instruments

Financial instruments consist of available-for-sale ("AFS") financial assets and loans and receivables.

AFS financial assets are those financial assets that are designated as available for sale, or that are not classified as loans and receivables, held-to-maturity investments, or financial assets held for trading. AFS assets are acquired for an indefinite period and may be sold to meet liquidity requirements.

The investments, all classified as AFS, are carried at fair value on the statement of financial position as of the trade date, and changes in fair value are recorded in other comprehensive income (loss) until the financial asset is disposed of or has become other-than-temporarily impaired. As long as an AFS asset is held and not other-than-temporarily impaired, gains and losses are not recognized in income. When the asset is disposed of or other-than-temporarily impaired, gains and losses are recognized in income as investment and other income and, accordingly, the amount is deducted from other comprehensive income (loss). Gains and losses on the sale of AFS assets are calculated using the average cost method.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost.

Financial Instruments – Disclosures

In accordance with IFRS 7 for financial instruments measured at fair value on the statement of financial position, the Insurance Fund categorizes its fair value measurements according to a three-level hierarchy as described below:

Level 1	-	Quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2	-	Valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3	-	Valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Revenue and expense recognition related to financial instruments

The effective interest method of amortization is used for all transaction costs added to the acquisition cost of a financial instrument and for the premiums or discounts earned or incurred for AFS financial instruments. Interest income is recognized as earned.

Determination of fair value of financial instruments

The fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received.

Subsequent to initial recognition, the fair values are determined based on available information. The fair value of financial instruments is based on ask prices.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Asset costs are amortized using rates established over the estimated life of the assets, using the straight-line method over the following periods:

Telephone system	3 years
Leasehold improvements	Lease term
Furniture and equipment	5 years
Computer hardware	3 years

Intangible assets

Intangible assets are recorded at cost, net of accumulated amortization, and consist of application and operating software. Amortization is calculated on a straight-line basis over the estimated useful life of software, which is three years.

Impairment of long-lived assets

Long-lived assets, excluding goodwill, are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may exceed their recoverable amount. The recoverable amount of an asset or cash-generating unit ["CGU"] is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of estimated future cash flows expected to arise from an asset or CGU. An impairment loss is the amount, if any, by which the carrying amount of an asset or CGU exceeds its recoverable amount and is charged to income. During the current and previous years, no intangible assets or items of property plant and equipment were impaired.

Standards issued but not yet effective

The Insurance Fund is currently analyzing the impact that the following standards will have on its audited financial statements:

[a] Financial Instruments: Classification and measurement

In November 2009, the IASB issued IFRS 9, *Financial Instruments*. This standard represents the completion of the first part of a three-part project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard reduces complexity by replacing the many different rules in IAS 39. The key features of this new standard are as follows:

– A business model test is applied first in determining whether a financial asset is eligible for amortized cost measurement. The business model objective is based on holding financial assets in order to collect contractual cash flows rather than realizing cash flows from the sale of the financial assets.

– In order to be eligible for amortized cost measurement an asset must have contractual cash flow characteristics representing principal and interest.

– All other financial assets are measured at fair value in the statements of financial position.

– An entity can elect on initial recognition to present the fair value changes on an equity investment that is not held for trading directly in other comprehensive income ["OCI"]. The dividends on investments for which this election is made must be recognized in income but gains or losses are not removed from OCI when the equity investment is disposed of.

– If a financial asset is eligible for amortized cost measurement, an entity can elect to measure it at fair value if it eliminates or significantly reduces an accounting mismatch.

b) Fair value measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*, with a view to setting out a single IFRS framework for defining, measuring and disclosing fair value. Its main features are as follows:

– Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

– Fair value measurement requires an entity to determine the following: The particular asset or liability being measured;

– For a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;

– The market in which an orderly transaction would take place for the asset or liability;

– The appropriate valuation technique(s) to use when measuring fair value. The technique(s) should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

– The entity is to disclose those valuation techniques and inputs used to develop the fair value measurements.

The standard is effective for fiscal years beginning on or after January 1, 2015.

c) Financial statement presentation

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements*. The principal change resulting from the amendments to IAS 1 is a requirement to group together items within OCI that may be reclassified to income. The amendments also reaffirm existing requirements that items in OCI and income should be presented as either a single statement or two consecutive statements.

The standard is effective for fiscal years beginning on or after January 1, 2013.

Significant accounting estimates and assumptions

The carrying values of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities during the next annual reporting period are related to measuring claims liabilities.

The ultimate cost of claims liabilities is estimated by using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practice.

The main assumption underlying these techniques is that an entity's past claims experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of prior years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by industry and claim type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the most likely outcome from the range of possible outcomes, taking into account all the uncertainties involved.

4. INVESTMENTS

A financial instrument is regarded as quoted in an active market [Level 1] if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. When a quoted active market exists, the fair values of financial assets are based on bid prices and the fair values of financial liabilities are based on ask prices.

In the absence of an active market, fair values are based on inputs other than quoted prices that are observable for the asset or liability directly or indirectly [Level 2]. Such inputs include prevailing market rates for instruments with similar characteristics and risk profiles, the closing price of the most recent trade date subject to liquidity adjustments or average brokers' quotes when trades are too sparse to constitute an active market.

Certain financial instruments whose fair values are not based on observable market inputs are to be measured using a valuation technique or model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor based on available market data [Level 3]. The Insurance Fund held no Level 3 securities as at December 31, 2011 and 2010, and January 1, 2010.

The distribution of the Insurance Fund's financial instruments between each of the above-mentioned levels is presented below.

Table 1 – Fair value hierarchy

December 31, 2011	Level 1	Level 2	Total
	$	$	$
Government of Canada bonds	—	8,048,756	**8,048,756**
Provincial government bonds	—	4,490,460	**4,490,460**
Municipal government bonds	—	9,236,657	**9,236,657**
Corporate bonds	—	8,596,925	**8,596,925**
Investment funds	—	7,477,537	**7,477,537**
Preferred shares	3,844,703	—	**3,844,703**
Common shares	144,338	—	**144,338**
	3,989,041	37,850,335	**41,839,376**
December 31, 2010			
Government of Canada bonds	—	8,707,891	**8,707,891**
Provincial government bonds	—	11,605,513	**11,605,513**
Municipal government bonds	—	5,363,886	**5,363,886**
Corporate bonds	—	9,315,685	**9,315,685**
	—	34,992,975	**34,992,975**
January 1, 2010			
Government of Canada bonds	—	5,091,092	**5,091,092**
Provincial government bonds	—	8,817,127	**8,817,127**
Municipal government bonds	—	5,173,926	**5,173,926**
Corporate bonds	—	6,671,423	**6,671,423**
Asset-backed commercial paper debt obligations	—	1,266,936	**1,266,936**
	—	27,020,504	**27,020,504**

Table 2 – Investment maturities

December 31, 2011	Maturity				
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
	$	$	$	$	$
Government of Canada bonds	—	7,535,465	513,291	—	**8,048,756**
Provincial government bonds	—	4,490,460	—	—	**4,490,460**
Municipal government bonds	—	9,236,657	—	—	**9,236,657**
Corporate bonds	2,014,726	4,618,563	1,963,636	—	**8,596,925**
Investment funds	—	—	—	7,477,537	**7,477,537**
Preferred shares	—	—	—	3,844,703	**3,844,703**
Common shares	—	—	—	144,338	**144,338**
	2,014,726	25,881,145	2,476,927	11,466,578	**41,839,376**
December 31, 2010					
Government of Canada bonds	194,266	8,513,625	—	—	**8,707,891**
Provincial government bonds	6,889,127	4,716,386	—	—	**11,605,513**
Municipal government bonds	303,345	5,060,541	—	—	**5,363,886**
Corporate bonds	161,635	8,240,598	913,452	—	**9,315,685**
	7,548,373	26,531,150	913,452	—	**34,992,975**
January 1, 2010					
Government of Canada bonds	—	5,091,092	—	—	**5,091,092**
Provincial government bonds	45,616	8,771,511	—	—	**8,817,127**
Municipal government bonds	—	5,173,926	—	—	**5,173,926**
Corporate bonds	343,063	5,726,801	601,559	—	**6,671,423**
Asset-backed commercial paper debt obligations	3,432	1,263,504	—	—	**1,266,936**
	392,111	26,026,834	601,559	—	**27,020,504**

Table 3 – Unrealized investment gains (losses)

December 31, 2011	Unamortized cost	Unrealized Gains	Unrealized Losses	Fair value
	$	$	$	$
Government of Canada bonds	7,970,690	78,066	—	**8,048,756**
Provincial government bonds	4,491,495	—	(1,035)	**4,490,460**
Municipal government bonds	8,911,521	325,136	—	**9,236,657**
Corporate bonds	8,420,214	176,711	—	**8,596,925**
Investment funds	7,542,275	—	(64,738)	**7,477,537**
Preferred shares	3,800,375	57,345	(13,017)	**3,844,703**
Common shares	141,856	2,482	—	**144,338**
	41,278,426	639,740	(78,790)	**41,839,376**
December 31, 2010				
Government of Canada bonds	8,746,458	40,181	(78,748)	**8,707,891**
Provincial government bonds	11,639,790	73,764	(108,041)	**11,605,513**
Municipal government bonds	5,290,400	95,174	(21,688)	**5,363,886**
Corporate bonds	9,180,245	202,494	(67,054)	**9,315,685**
	34,856,893	411,613	(275,531)	**34,992,975**
January 1, 2010				
Government of Canada bonds	5,076,398	26,147	(11,453)	**5,091,092**
Provincial government bonds	8,693,264	231,154	(107,291)	**8,817,127**
Municipal government bonds	5,159,407	26,440	(11,921)	**5,173,926**
Corporate bonds	6,457,176	261,315	(47,068)	**6,671,423**
Asset-backed commercial paper debt obligations	1,217,296	50,464	(824)	**1,266,936**
	26,603,541	595,520	(178,557)	**27,020,504**

Table 4 – Investment and other income

	2011	2010
	$	$
Interest income	**1,324,174**	1,254,164
Dividend income	**13,823**	—
Amortization of premiums and discounts	**(256,278)**	(383,657)
Gain on disposal of investments	**307,552**	157,328
	1,389,271	1,027,835
Investment management and custody fees	**105,803**	68,829
Investment income	**1,283,468**	959,006
Other income	—	2,431
Investment and other income	**1,283,468**	961,437

5. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS

The Insurance Fund's investments are managed by two external managers, which are required to follow the investment policy set out by the Insurance Fund's Board of Directors. Management ensures compliance with these guidelines. The investment portfolio is entirely invested in well-established, active and liquid markets.

All other financial instruments are stated at fair value.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other market price risk. The Insurance Fund's investment policies establish principles and limits pertaining to these risks. The Investment Committee regularly monitors compliance with these investment policies.

Currency risk

Currency risk is the risk that the value of a financial instrument denominated in foreign currencies will fluctuate because of changes in foreign exchange rates. Since all its financial instruments are denominated in Canadian dollars, the Insurance Fund is not exposed to currency risk.

Interest rate risk

Interest rate risk is the risk that a fluctuation in interest rates will negatively impact the financial position of the Insurance Fund, which occurs when market interest rates rise.

The following table details our interest rate risk exposure. The financial instruments appearing in the statement of financial position are displayed according to the earlier of their maturity and their rate adjustment date. The indicated effective interest rates, if any, are the current market rates for the overall bond portfolio.

Table 5 – Financial instrument interest rates by maturity

December 31, 2011	Floating rate	Under 12 months	1 to 5 years	Over 5 years
	%	%	%	%
Assets				
Short-term notes	**0.90**	—	—	—
Fixed-income securities	—	**3.43–6.25**	**1.09–8.25**	**3.10–8.25**
Reinsurance and deductibles	—	**1.79**	**1.79**	**1.79**
Liabilities				
Claims liabilities	—	**1.79**	**1.79**	**1.79**
December 31, 2010				
Assets				
Short-term notes	0.93	—	—	—
Fixed-income securities	—	3.25–6.50	1.93–5.58	3.10–6.15
Reinsurance and deductibles	—	2.38	2.38	2.38
Liabilities				
Claims liabilities	—	2.38	2.38	2.38
January 1, 2010				
Assets				
Short-term notes	0.17	—	—	—
Fixed-income securities	—	3.87 –6.80	2.90–8.25	4.55–6.15
Reinsurance and deductibles	—	2.58	2.58	2.58
Liabilities				
Claims liabilities	—	2.58	2.58	2.58

A 1% drop in interest rates would result in a $39,365 decline in investment income [$60,143 in 2010]. Conversely, a 1% rise in interest rates would result in an $85,653 increase in investment income [$60,143 in 2010].

Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Insurance Fund by failing to discharge an obligation. Credit risk arises primarily from fixed-income securities, which comprise substantially all of the investment portfolio.

The Insurance Fund's investment policy provides a quality criteria framework for portfolio securities and requires investment managers to produce regular compliance reports. The policy also stipulates that the Insurance Fund may not invest more than 50% of its fixed-income security portfolio in corporate bonds. No more than 5% of the fixed-income security portfolio may be invested in issues with ratings of BBB or less. The Insurance Fund may not invest more than 10% of the fixed-income security portfolio in the securities of a single corporate issuer.

The Insurance Fund assesses the reinsurer's financial strength before signing any reinsurance treaties and monitors its situation on a regular basis. In addition, the Insurance Fund has minimum rating requirements for its reinsurer. The reinsurer must have a minimum rating of A+ as at December 31, 2011. The Insurance Fund uses ratings agency Standard & Poor's.

Table 6 – Maximum credit risk exposure arising from financial instruments

	December 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Treasury bills	**169,675**	439,257	2,803,662
Canadian, provincial and municipal government bonds	**9,749,948**	25,677,290	19,082,145
Corporate bonds	**20,622,850**	9,315,685	7,938,359
Investment funds	**7,477,537**	—	—
Preferred shares	**3,844,703**	—	—
Common shares	**144,338**	—	—
Investment income receivable	**182,618**	280,040	213,079
Premiums receivable	**139,135**	390,246	280,300
Amounts recoverable from reinsurers for claims liabilities	**4,579,000**	6,922,000	6,952,859
Deductibles recoverable from policyholders for claims liabilities	**456,339**	450,133	590,355
Total	**47,366,143**	43,474,651	37,860,759

Credit risk concentration

Concentration of credit risk exists where a number of borrowers or counterparties are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics, such that their ability to meet contractual obligations could be similarly affected by changes in economic, political or other conditions. The Insurance Fund's invested assets could have sensitivity to changes affecting a particular industry. All of the securities held are issued in Canada.

Table 7 – Debt securities by industry

	2011	2010
	%	%
Federal, provincial and municipal governments – Canada	**23.61**	73.38
Financials	**35.87**	18.69
Industrials	**8.14**	0.30
Energy	**13.23**	2.01
Infrastructure	**2.31**	4.51
Real estate	**15.70**	1.11
Telecommunication	**1.14**	—
Total	**100.00**	100.00

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments that are settled by delivering cash. To manage its cash flow requirements, the Insurance Fund maintains a portion of its invested assets in liquid securities.

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The Insurance Fund mitigates this risk by matching cash inflows from investments with cash outflows for paid claims.

6. INSURANCE RISK

Insurance risk and management

The Insurance Fund underwrites professional liability insurance contracts for Québec real estate brokers. Insurance contract risk mostly comprises risk associated with:

– Underwriting and pricing

– Fluctuation in the timing, frequency and severity of claims relative to projections

– Inadequate reinsurance protection

a) Underwriting

Policies generally cover a twelve-month period with a renewal date of May 1st each year.

The insurance business is cyclical in nature: the industry generally reduces insurance rates following periods of increased profitability, while it generally increases rates following periods of sustained loss. The Insurance Fund's profitability tends to follow this cyclical market pattern. In addition, the Insurance Fund is at risk from changes in professional liability insurance legislation and the economic environment.

In order to properly monitor the Insurance Fund's risk appetite, annual premium pricing is established using an internal return on equity model and a risk-based capital model as published by the Autorité des marchés financiers ["AMF"]. The annual premium decreased to $485 in 2011 from $550 in 2010.

The Investment Committee monitors the Insurance Fund's overall risk profile, aiming for a balance between risk, return and capital, and determines policies concerning the Insurance Fund's risk management framework. The Committee's mandate is to identify, measure and monitor risks and avoid exposures that are outside of the Insurance Fund's risk tolerance level.

b) Claims management and reinsurance

One objective of the Insurance Fund is to ensure that sufficient claims liabilities are established to cover future claim payments. The Insurance Fund's success depends upon its ability to adequately assess the risk associated with the insurance contracts underwritten by the Insurance Fund. The Insurance Fund establishes claims liabilities to cover the estimated liability for the payment of all losses and loss adjustment expenses incurred with respect to insurance contracts underwritten by the Insurance Fund. Claims liabilities do not represent an exact calculation of the liability. Rather, claims liabilities are the Insurance Fund's estimates of its expected ultimate cost of claims resolution and administration. Expected inflation is taken into account when estimating claims liabilities, thereby mitigating inflation risk.

Overseen by the Claims Committee, strict claim review policies are in place to assess all new and ongoing claims. In addition, regular detailed reviews of claims handling procedures reduce the Insurance Fund's risk exposure. Further, the Insurance Fund enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that could negatively impact the business. The Insurance Fund has established a Claims Committee responsible for analyzing claims and contentious matters to ensure that appropriate claims liabilities are established and approved.

c) Sensitivity to insurance risk

The principal assumption underlying the claims liability estimates is that future claims development will follow a similar pattern to past claims development experience.

Claims liabilities estimates are also based on various quantitative and qualitative factors, including:

– Average claim costs including claim handling costs

– Average claims by accident year

– Trends in claim severity and frequency

Most or all of the qualitative factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact the Insurance Fund's ability to accurately assess the risk of the insurance contracts the Insurance Fund underwrites. In addition, there may be lags, sometimes amounting to several years, between the occurrence of an insured event and the time it is reported to the Insurance Fund and additional lags between the reporting and the final settlement of claims.

The Insurance Fund refines its claims liabilities estimates on an ongoing basis as claims are reported and settled. Establishing an appropriate level of claims liabilities is an inherently uncertain process and the policies surrounding this are overseen by the Insurance Fund's Claims Committee.

7. PROPERTY, PLANT AND EQUIPMENT

December 31, 2011	Cost	Accumulated amortization	**Carrying value**
	$	$	$
Telephone system	22,926	10,826	**12,100**
Leasehold improvements	55,342	15,021	**40,321**
Furniture and equipment	81,799	60,860	**20,939**
Computer hardware	29,550	13,767	**15,783**
Total	189,617	100,474	**89,143**

Reconciliation of movements	Carrying value December 31, 2010	Additions/ (Disposals)	Amortization	**Carrying value December 31, 2011**
	$	$	$	$
Telephone system	19,742	—	7,642	**12,100**
Leasehold improvements	46,200	4,942	10,821	**40,321**
Furniture and equipment	28,225	5,650	12,936	**20,939**
Computer hardware	5,394	14,724	4,335	**15,783**
Total	99,561	25,316	35,734	**89,143**

2010	Cost	Accumulated amortization	Carrying value December 31, 2010
	$	$	$
Telephone system	22,927	3,184	19,743
Leasehold improvements	50,400	4,200	46,200
Furniture and equipment	76,150	47,925	28,225
Computer hardware	14,825	9,432	5,393
Total	164,302	64,741	99,561

Reconciliation of movements	Carrying value January 1, 2010	Additions/ (Disposals)	Amortization	Carrying value December 31, 2010
	$	$	$	$
Telephone system	777	13,397	(5,569)	19,743
Leasehold improvements	132	38,283	(7,785)	46,200
Furniture and equipment	44,023	(5,131)	10,667	28,225
Computer hardware	6,806	(3,550)	(2,137)	5,393
Total	51,738	42,999	(4,824)	99,561

2009	Cost	Accumulated amortization	Carrying value December 31, 2009
	$	$	$
Telephone system	9,530	8,753	777
Sign	2,065	2,065	—
Leasehold improvements	12,117	11,985	132
Furniture and equipment	81,282	37,259	44,023
Computer hardware	18,375	11,569	6,806
Total	123,369	71,631	51,738

8. INTANGIBLE ASSETS

2011	Cost	Accumulated amortization	Carrying value December 31, 2011
	$	$	$
Software	459,151	343,563	**115,589**

Reconciliation of movements	Net value January 1, 2011	Additions/ (Disposals)	Amortization	Carrying value December 31, 2011
	$	$	$	$
Software	84,675	101,964	71,050	**115,589**

General and administrative expenses include amortization for the year of $71,050 [$92,930 in 2010].

2010	Cost	Accumulated amortization	Carrying value December 31, 2010
	$	$	$
Software	357,188	272,513	**84,675**

Reconciliation of movements	Carrying value January 1, 2010	Additions/ (Disposals)	Amortization	Carrying value December 31, 2010
	$	$	$	$
Software	34,900	142,705	92,930	**84,675**

2009	Cost	Accumulated amortization	Carrying value December 31, 2009
	$	$	$
Software	214,482	179,582	**34,900**

9. CLAIMS LIABILITIES

Actuarial liabilities are determined to reflect the estimate of the full amount of all liabilities associated with the insurance policies at the statement of financial position date, including claims incurred but not reported. The ultimate amount of the settlement of these liabilities will vary from the best estimate for a variety of reasons, including additional information with respect to the facts and circumstances of the claims incurred.

Unpaid claims and amounts recoverable from reinsurers

The provision for unpaid claims and amounts recoverable from reinsurers under unpaid claims are determined using standard actuarial techniques requiring assumptions such as loss development and claim settlement patterns, future rates of claim frequency and severity, inflation and other factors.

Unpaid claims were reduced on a net basis by $280,000 as at December 31, 2011 [$338,741 in 2010] to reflect the time value of money, using an average discount rate of 1.79% [2.38% in 2010] on underlying claim settlement patterns. The provision for adverse deviations increased unpaid claims, on a net basis, by $397,000 as at December 31, 2011 [$182,000 in 2010].

Unearned premiums

Unearned premiums are calculated on a pro rata basis from the unexpired portion of premiums written and must be sufficient to cover all future costs related to the unexpired portion of in-force policies as at December 31. The future risks to be provisioned consist of claims and loss adjustment expenses, policy maintenance expenses, and the cost of reinsurance pertaining to these policies. In the event that unearned premiums were inadequate to cover these costs, the Insurance Fund would be required to recognize a corresponding liability to cover the deficiency.

Interest rate sensitivity

As the time value of money is considered in determining the unpaid claims estimate, an increase or decrease in the discount rate would result, respectively, in a decrease or increase in the expense for unpaid claims. Accordingly, a 1% increase in the discount rate would have a $183,000 impact on the fair value of unpaid claims as at the statement of financial position date [$153,000 in 2010], while a 1% decrease in the discount rate would have a $189,000 impact on the fair value of unpaid claims as at the statement of financial position date [$157,000 in 2010].

Prior-year claims development

The following table shows the estimates of incurred claims, including incurred but not reported claims ["IBNR"], for the five most recent accident years, with subsequent developments during the periods, as well as cumulative payments to date. The evaluation is based on actual payments in full or partial settlement of claims and current estimates of claims liabilities for claims still open or claims still unreported.

Table 8 – Prior year claims development

Ultimate incurred claims estimate	2006	2007	2008	2009	2010	2011	Total
	$	$	$	$	$	$	$
As at end of underwriting year	508,900	5,459,331	6,526,460	6,562,559	6,673,910	**6,073,405**	
One year later	538,200	5,073,644	7,023,718	6,424,801	6,033,124	—	
Two years later	260,762	5,285,586	5,651,971	4,772,070	—	—	
Three years later	227,329	4,034,785	4,585,239	—	—	—	
Four years later	240,641	2,984,691	—	—	—	—	
Five years later	222,240	—	—	—	—	—	
Total liabilities	222,240	2,984,691	4,585,239	4,772,070	6,033,124	**6,073,405**	**24,670,769**
Paid claims	(198,166)	(2,463,542)	(2,287,974)	(1,510,877)	(1,155,670)	**(447,972)**	**(8,064,201)**
Unpaid claims	24,074	521,149	2,297,265	3,261,193	4,877,454	**5,625,433**	**16,606,568**
Prior years							
Effect of discounting and margins							**1,691,064**
Provision for internal expenses and extended coverage							**1,796,368**
Final unpaid claims							**20,094,000**

Note: These amounts include $456,339 in deductibles recoverable from policyholders for claims liabilities.

Movement of net claims liabilities

Table 9 – Movement of net claims liabilities

	2011			2010		
	Direct claims liabilities	Ceded claims liabilities	Net claims liabilities	Direct claims liabilities	Ceded claims liabilities	Net claims liabilities
[in thousands of dollars]	$	$	$	$	$	$
Balance, beginning of year	**20,899**	**6,922**	**13,977**	18,705	5,881	12,824
Changes in estimated losses and expenses for claims incurred in prior years	**(5,647)**	**(4,457)**	**(1,190)**	(3,944)	(1,078)	(2,866)
Losses and expenses on claims incurred in the current year	**7,699**	**2,214**	**5,485**	8,408	2,119	6,289
Less recoveries received (amounts paid) in respect of incurred claims						
During the current year	**(642)**	**—**	**(642**	(515)	—	(515)
During prior years	**(2,215)**	**(100)**	**(2,115)**	(1,755)	—	(1,755)
Balance, end of year	**20,094**	**4,579**	**15,515**	20,899	6,922	13,977

Note: This table excludes $456,339 [$450,133 in 2010] in deductibles recoverable from policyholders for claims liabilities.

10. REINSURANCE

The Insurance Fund limits the coverage provided to its insureds to $250,000 per claim, per insured, subject to an annual limit of $1,000,000.

In the normal course of business, the Insurance Fund reinsures a portion of the risks it assumes in order to limit its losses in the event of major claims or very high claim frequency.

The terms of the agreement may vary from year to year.

For the June 1, 2008–May 1, 2012 period, the Insurance Fund had $4,500,000 in overall annual coverage in excess of Insurance Fund retention of $4,500,000.

11. NET EARNED PREMIUMS

	2011	2010
	$	$
Earned premiums	**9,778,162**	10,492,202
Reinsurance premiums written	**600,129**	475,966
Change in unearned reinsurance premiums	**(66,814)**	(127,051)
Reinsurance premiums ceded	**533,315**	603,017
Net earned premiums	**9,244,847**	9,889,185

No allowance for doubtful accounts was deducted from net earned premiums in 2011, whereas an allowance of $172,525 was deducted in 2010 determined by an overall analysis of premiums receivable at year-end to identify those that in all probability will not be recovered. Given that the insurance premium is billed together with OACIQ annual membership dues, the insured is not actually covered until OACIQ receives the premium, which explains the lack of doubtful accounts.

12. CAPITAL REQUIRED

Capital required is governed by the AMF. Accordingly, the risk-based capital adequacy framework is based on an assessment of the riskiness of assets, policy liabilities, and structured settlements, letters of credit, derivatives and other exposures, by applying varying factors and margins. The Insurance Fund is required to meet a capital available to capital required test, called the minimum capital test ("MCT").

The AMF requires each property and casualty insurer to establish its own internal target capital level that reflects its risk profile and to justify to the AMF the target level it has adopted with an explanation backed by supporting data. This internal target level must be higher than the 100% minimum capital threshold imposed by the AMF and the 150% supervisory target level.

In 2011, the Insurance Fund established a 250% internal target for capital required, given the necessity of building adequate capital to meet future obligations with regard to protection of the public. The Insurance Fund has exceeded both the minimum threshold and its own internal target for capital required.

The Insurance Fund's capital available and capital required are detailed as follows:

[in thousands of dollars]	2011	2010
	$	$
Capital available	**24,277**	18,874
Capital required	**3,416**	2,700
Excess of capital available over capital required	**20,861**	16,174
MCT [as a %]	**710.69%**	699.04%

13. TRANSACTIONS WITH THE OACIQ

The Insurance Fund has entered into an agreement under which certain management services are provided by the OACIQ. The Insurance Fund recorded a total expense of $62,079 in general and administrative expenses for all services provided in 2011 [$31,151 in 2010]. All related party transactions were in the ordinary course of business and measured at the exchange amount.

During the year, services were provided to the Insurance Fund by members of its Board of Directors for compensation totalling $500 [$24,043 in 2010].

14. PREMIUMS AND OTHER RECEIVABLES

	December 31, 2011	December 31, 2010	January 1, 2010
	$	$	$
Premiums receivable	**35,809**	289,067	211,590
Deductibles receivable	**47,700**	31,500	41,300
QST receivable	**55,626**	65,929	16,437
Other	**—**	3,750	10,973
Total	**139,135**	390,246	280,300

15. COMPENSATION OF KEY EXECUTIVE OFFICERS

Key executive officers consist of all members of the Board of Directors and the executive officers of the Insurance Fund. Total compensation for 2011 amounted to $266,000 [$217,000 for 2010].

During the year, the Insurance Fund harmonized the compensation earned by members of its Board of Directors with that paid to directors of the OACIQ.

16. COMMITMENTS

The Insurance Fund is committed under a subletting arrangement with the OACIQ under a lease expiring in July 2015. Future minimum payments under the contract are as follows:

	$
2012	103,201
2013	106,752
2014	106,752
2015	106,752
	423,457

17. FIRST-TIME ADOPTION OF IFRS

The financial statements represent the first annual financial statements of the Insurance Fund prepared in accordance with IFRS, as issued by the IASB. Previously, the Insurance Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles ["Canadian GAAP"].

The Insurance Fund adopted IFRS in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The first date at which IFRS was applied was at the Insurance Fund's transition date, January 1, 2010. The Insurance Fund:

– Provided comparative financial information;

– Applied the same accounting policies throughout all periods presented;

– Retrospectively applied all effective IFRS standards as of December 31, 2011, as required; and

– Applied the optional exemptions and mandatory exceptions as applicable for first-time IFRS adopters.

IFRS 1 grants limited exemptions from these requirements in specified areas where the cost of complying with the standards would likely exceed the benefits to users of financial statements. IFRS 1 also prohibits retrospective application of IFRS in some areas, particularly where retrospective application would require judgments by management about past conditions after the outcome of a particular transaction is already known. Below are the details of the Insurance Fund's optional and mandatory exemptions.

a) Property, plant and equipment

IFRS 1 provides the option to retrospectively apply IAS 16, *Property, plant, and equipment*, for the determination of net book value at the date of transition or to use the property, plant and equipment's fair value as its deemed cost upon transition to IFRS. The Insurance Fund elected to retrospectively apply IAS 16 at the transition date, and this resulted in no accounting difference.

b) Designation of financial assets and financial liabilities

IFRS 1 permits an entity to irrevocably re-designate certain financial instruments. Upon transition, the Insurance Fund elected not to change the classification or designation of its financial assets or liabilities from previous Canadian GAAP.

c) Estimates

The estimates previously made by the Insurance Fund under Canadian GAAP were not revised for adoption of IFRS except where necessary to reflect any differences in accounting policies.

I have valued the policy liabilities of *Fonds d'assurance responsabilité professionnelle de l'Association des courtiers et agents immobiliers du Québec* for its balance sheet at December 31, 2011 and their change in the statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

I am satisfied that the data utilized for the valuation of these liabilities are reliable and sufficient. I verified the consistency of the valuation data with the firm's financial records.

The results of my valuation together with amounts carried in the Annual Return are the following:

Claims Liabilities ($'000)	Carried in Annual Return	Actuary's Estimate
(1) Direct unpaid claims and adjustment expenses	20,094	20,094
(2) Assumed unpaid claims and adjustment expenses	0	0
(3) Gross unpaid claims and adjustment expenses (1) + (2)	20,094	20,094
(4) Ceded unpaid claims and adjustment expenses	4,579	4,579
(5) Other amounts to recover	456	456
(6) Other net liabilities	456	456
(7) Net unpaid claims and adjustment expenses (3) – (4) – (5) + (6)	15,515	15,515

Premium Liabilities ($'000)	Carried in Annual Return	Actuary's Estimate
(1) Gross policy liabilities in connection with unearned premiums	–	2,926
(2) Net policy liabilities in connection with unearned premiums	–	1,895
(3) Gross unearned premiums	3,160	–
(4) Net unearned premiums	2,903	–
(5) Premium deficiency	0	0
(6) Other net liabilities	0	0
(7) Deferred policy acquisition expenses	0	–
(8) Maximum policy acquisition expenses deferrable (4) + (5) + (9) col. 1 – (2) col. 2	–	1,007
(9) Unearned Commissions	0	–

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the Annual Return fairly presents the results of the valuation.

Xavier Bénarosch, FCAS, FCIA

February 22, 2012
Date opinion was rendered

Eckler